



Insurance news analysis

Video transcript

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San Jose passes first U.S. law requiring gun owners to get liability insurance and pay annual fee

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Abbey Compton

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Welcome to Accenture's Insurance News Analysis. I'm Abbey Compton here with Kenneth Saldanha. We'll be talking about what's making news around the industry. Kenneth, in a first-of-its-kind ordinance, the city council of San Jose, California, voted to require residents who own guns to also carry liability insurance as part of their homeowner's or renter's policies. Assuming this action survives all its court challenges, how do you see insurers responding? Can they afford to take on the risk of gun violence or will they shy away?

Kenneth Saldanha

Global Lead—Insurance, Accenture

Abbey, this is a, this is a very interesting topic because it actually technically is not quite pooled risk. We certainly are blurring the lines now between public policy and insurance, which by the way is not new. The insurance industry was heavily involved in things like putting seat belts into cars, graduated licenses, there's lots of examples of this where an important social policy was connected and linked and in many cases advocated for by the insurance industry. This one, as you said, is a little different because it's actually a very unknown and open-ended risk that is actually landing into the insurance pool, right? It is also a risk that will be covered only by a very small subset of gun owners, at least in its current form. So it also somewhat undermines the notion of a pooled risk because it is actually covering a very specific population with a very specific risk profile. So I do think we will see, this will be an interesting case to follow, and one that will act absolutely show up, I think, in other states and other jurisdictions, as I think socially, we continue to try to

find ways to attack this problem. This is a new front on this war, it never has really been brought through the, sure, make it, make it a financial burden to own a gun. And I think this is a new way to say, do we do that through insurance? It does feel an awful lot like a way to hide what would be a, typically talked about as a tax on users, like a cigarette tax or the alcohol taxes you see. This one for some reason has been framed as an insurance issue. But I think it's been an extremely interesting debate and an extremely interesting battle to see where this one lands.

UK regulator to review 'crippling' post-Grenfell property insurance costs

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Abbey

Policy limits for apartment blocks and condos are being tested in the wake of the deadly Grenfell fire in West London and last year's condo collapse in Surfside, Florida. Kenneth, are there steps insurers can take to help address the risks these buildings present and still insure residential units at an affordable price?

Kenneth

Abbey, this is one where the, the inspections were in, the warnings were out there for, for most of these properties, it's actually, there are existing mechanisms to actually flag these risks to raise the awareness about what needs to happen. And I believe that was true for both these, both these properties. There were warning signs out way in advance. So in some ways, it's not that this is a new thing for the insurance industry. We have inspections that go on on properties that are insured to exactly address this issue. I do think you're also raising an interesting topic around, in general, under-insurance and this takes on lots of different flavors, certainly we saw it on a huge scale in these events. But it's all the way down to your auto owner who actually has, unfortunately, a total loss of the vehicle and actually finds that their payout doesn't cover their car loan. That in some ways is a very small-scale version of the same issue: fundamentally of under-insurance and not being able to actually cover the asset based on what the actual, how the asset value has moved as opposed to your insurance. So this is actually especially true in property certainly, but we see it broadly speaking. It is an interesting and very important space.

As you said, from an ESG perspective, because the balance between saying, how do you stay away from under-insurance but also don't end up with policy price and prices that are not affordable, is a delicate one. But eventually what we are doing by leaving things in status quo is actually elevating the risk of, of an event that actually can't be handled. And that actually is the core effort of insurance: to actually create a situation where in the event that the in these large-scale events, there is the insurance to cover it. So I do think, both fronts: there are mechanisms in place to actually defend and prevent these situations from blowing up with the inspections and the maintenance requirements. And I do think under-insurance is a real issue and one that actually plays out in all kinds of coverages.

Tackling the crisis of care for older people: lessons from India and Japan

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Abbey

Kenneth, in your latest blog post you talk about enabling older adults to age in place. You also reference a Nature story on Japan's long-term care insurance model, which offers care to everyone 65 and older even ahead of significant disability. Do you see these early interventions as a way to reduce claims in the long run and can Japan's model work in other markets?

Kenneth

Abbey, this is risk mitigation in its purest form, and it's not a new concept at all to the insurance industry. For the longest time, the effort has been, how do we actually mitigate and prevent losses versus simply take on the indemnity to pay for losses. And you've had insurance companies that had entire branches of their offerings, their risk engineering services that were fundamentally geared towards risk mitigation. That's exactly what we're seeing in the Japan story. It's what we saw in health care globally as people realized that preventative care should be covered under insurance because it actually provides such an enormous lift to the general well-being and the financials of the health care system. That is what we're seeing in insurance as well. It is not a new concept, but one that is certainly becoming very visible in the space of the aging population, age-at-home. That's an area in which we're actually maybe the newest place where we've seen risk mitigation as opposed to risk indemnification. The, the economics as well as the social welfare of that approach is, I think, well established at this point. And hopefully one that will actually, because of that, accelerate quickly for insurance.

As we look at our customer survey data in the market, it's very clear that customers are saying they do not see the value of traditional products. And so as an industry, I think we're seeing a strong push on the one hand to make the pricing and the affordability of insurance drop, and we see a lot of our major clients working to drive a change in their cost profiles, not for margin improvement, but to make their products more cost-affordable and competitive in market. And at the same time you see this move away from traditional products into risk mitigation like the Japan story. So we do see carriers, the industry at large, really acting on both sides of that equation. How do we actually make it more palatable for customers to pay for what they're getting. And then also shifting away from just the traditional products into something that the customer will value more.

General Motors unveils new auto insurance offering timeline

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Abbey

We've talked a lot about automakers getting more involved in insuring their products and use of behavior-based insurance models, but GM says their OnStar insurance services, underwritten by American Family Mutual, is different because it takes data directly from onboard systems rather than mobile apps or plug-in data recorders. Kenneth, will this model become the norm for new vehicles, and, if so, will it shift the car insurance ecosystem, or customer experience?

Kenneth

Well, Abbey, one of the things that we've said is going to be a real focus area for the industry this year is the electric vehicle sector. And this is something that actually plays out in spades in electric vehicles. Because as opposed to an OnStar system, the entire operating system of the vehicle is now a source of data and something that is almost what we call a living system, which can be consistently updated, and data can be exchanged, etc. So when you look at what's happening, you look at what Tesla's example has been doing with the way they exchange data on edge cases of what's happening for fully self-driving algorithms. It's all based on a higher richness and depth of data that can come from the vehicles depending on how deep you go. So there's absolutely the case that there's a spectrum of what information you can get from a driver's mobile phone versus a classic dongle you could put into the diagnostic port of a vehicle, to the actual operating system of the car itself. And so I think those, that spectrum and richness of data absolutely is a little better fit for purpose.

Do you actually, if you're doing some basic telematics offers, that you just want to put information that you need to base on usage, you could probably do that off a mobile phone and you can do that very well. You can even do claims and crash detection on mobile phones, etc. But there's certainly, I don't think anyone would argue that the richer the dataset, the more you can do with it. And I think that's what we're seeing with this conversation about, well, is an OnStar system better than a mobile or a, or a diagnostic port. And then certainly we're going to see if OnStar has got then is something like a fundamental operating system like Tesla as even better. So I think we will continue to see a drive for richness of data, for high-fidelity data that comes into all kinds of use cases for the industry.

Young talent in insurance— the benefits of bringing them in

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January 28, 2022

Abbey

As the insurance workforce faces the great resignation, Insurance Business ran an article about attracting Millennial and Gen Z workers. They talk about the values of younger workers, including community and a desire to work hard and achieve success early. Kenneth, is this what you're hearing in your discussions with clients and colleagues and how can insurers pivot recruitment strategies to appeal to younger workers?

Kenneth

Yeah, Abbey, for sure this is a topic that everyone is concerned about, every carrier is keenly aware of. And again, not an entirely new issue for the insurance industry. I think, historically, as people have done the surveys of graduating college seniors, insurance is almost never made anywhere near the top 20 list of where they'd like to go. So we've had this issue for a very long time. What's actually really almost aggravating here is that when you talk about the things that are valued by the new generation of workers, it is a lot of, as you said, contributing in a positive way to society, to helping communities. And insurance, I believe as an industry, has really missed the opportunity to frame itself in, in those terms. The industry is not viewed as, as active in this space as it really is. And so I think one of the first and most important pushes that needs to happen with the industry is a little bit of a rebranding of what insurance is, and more importantly, what it allows people to do.

Fundamentally, by providing that pooled risk and reduction of exposure. It does provide access and safety for a community that would not have it otherwise. So I do think the first and most important thing we can do is rebrand what the industry is and what it does and what it achieves for its customers, as a first step. I do think a lot of the things that are happening in industry are getting very interesting as you think about all of the work that's happening with AI, with ML, with a lot of the newer approaches to offers, high hyper-personalization, usage-based insurance, we're absolutely doing things that are much more interesting for the next generation of workers to be engaged in. And if we can actually connect the interesting work with the high value of what they do in society, I think we'd be in a different place. So this is actually to me a, a, the sort of thing that an industry consortium is perfect for. Which is how do we rebrand and raise awareness to what we do? And in doing so, really make ourselves very genuinely more attractive to a different and an expanded pool of talent.

Abbey

Well, Kenneth, thanks so much for sitting down with me again. Always great to talk to you and hear what's happening around the industry.

Kenneth

Thanks for the time, Abbey. I look forward to doing it again soon.