Insurance news analysis

Video transcript

June 2022

How are companies accelerating their commitments to net-zero? 6 CEOs share their strategies

World Economic Forum
May 19, 2022

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. We'll be talking about what's making news around the industry. There was a lot to say about coal at Davos. Insurance CEOs in particular are talking about the need both to divest from coal and to draw down coal-related underwriting in order to meet net-zero targets and to keep premiums from rising with global temperatures. Kenneth, how do you see insurers navigating the difficult choices ahead?

Kenneth Saldanha
Global Lead—Insurance, Accenture

Abbey, I think the insurers, first and foremost, have no choice but to navigate this. They're going to get the demands from their customers, from the activist shareholders, and from governments. And I think there's going to be external, if not internal pressure to respond and take the stand that's required on all of these issues. I think we're going to see a series of steps towards this. I think the divestment probably first, in that it is an investment portfolio decision that can be taken more easily than changing risk models and changing products and changing underwriting behaviors towards newer products. Not only is it the case that there is a long actuarial history and understanding of these fossil fuel companies, there really isn't as much of that loss history or experience or knowledge around what the new sustainable energy sources are going to be. So that does represent a substantial move for the industry to actually change its products, change it's underwriting and actuarial behaviors to match that. So I think there will be action. I think there will be action in a series of steps. And my sense is that we're going to see the divestment side before we see the change in product and underwriting.

A block in Massachusetts is the test site for ways to cool cities in the summer

NPR
May 24, 2022

Abbey

Well, increasing global temperatures are also linked to increases and heat-related illness and deaths. We've talked before about how this exacerbates risk across the spectrum of insurance, life insurance, workers comp, disability, etc. But we now see community-based organizations collecting more data to identify dangerous hotspots. Are these the kinds of public-private partnerships insurers might tap into to help mitigate the heat related risk?

Kenneth

Again, I think Abbey, I think insurers are going to use every means possible to actually respond to these changes. The fact is all of the loss prediction models have actually been upended by global warming. The industry used to talk about attritional losses and catastrophic losses, and they still do. But the fact is that that line has blurred, very substantial. You just see so many more of these extreme weather read incidents that are playing out across the board. And at the same time we've seen, not only physical health but mental health claims and losses really spike, particularly with all the isolation of COVID in the last two years. And so you see this real shift in what experience insurers are having for what used to be the same book of business. And we just talked about on the fossil fuel to sustainable fuel, that's a big shift of underlying risk and product. There actually isn't a change in product for things like fire and extreme heat or disability. But we're seeing a completely different risk profile. So I think there's certainly the... all of the organizations, local organizations are stepping in to this to create this visibility. It's also the place where we see a lot of focus when it comes to data and modelling some of this with AI to try to find these patterns that are not around on the long, long trend of actuarial tables. So I think these communities will be a part of that. I think it'll be a core part of what we see in the data analysis and the AI/ML efforts to actually understand how to deal with these new loss patterns.

Improved results from predictive analytics for Life Insurers

Actuarial Post
June 2022

Abbey

So, you blogged last month about the three levels of insurance industry data analytics. We now see results from a survey of European insurers showing 80% of those who use predictive analytics, the most advanced level, with positive business impacts to both top and bottom line. However, many say that they struggle with and house facility stretched by these large volumes of data. What do you see insurers needing to do in order to really get their data flowing?

Kenneth

I think data quality and data architecture have been recognized now in insurance, and I think everywhere, as the ongoing fuel for any of these changes. So I think the notion of having a digital core doesn't really work unless you have the data quality to actually act on that. So I think what we're seeing with insurers is a recognition that the in-house resources just aren't going to be enough. And what used to be, "We will look outside for data enrichment," so essentially for external data sources, is becoming I think a broader recognition that working with the data ecosystem, whether it's for sourcing data, analyzing data, any of that, is actually much more in the cards right now. You add to that, Abbey, the incredible crunch we're seeing on talent, and it's almost impossible for any organization, and certainly, for any insurers to actually field and run the kind of talent to do the data analytics that they'd like to do in order to match what's being asked for in market. So I think we are going to see absolutely the notion of the data ecosystem expanding from not just data sourcing, but the actual analytics and the curating and the creation of the ability to use this data effectively in the market.

Allstate files patent application for "insurance VR simulator"

Insurance Business
May 31, 2022

Abbey

We've talked about the risks of customers wearing VR headsets and accidentally damaging their own property. Now we're seeing ways VR can help drivers test their abilities and understand the damage and cost that may result from simulated accidents. Do you see these kinds of VR, virtual reality, customer experiences improving the real-life reality of insurance underwriting?

Kenneth

I think that absolutely will, Abbey. And I think when we look at… you know, to be fair, simulations and learning from simulations are not new. Whether we talk about… when we talk about the insurance industry, participating in education for teen drivers by creating simulations of drunk driving, right? These are the vehicles that were built with slightly delayed responses into their steering or the brakes or, at the time, clutch and accelerate, right? So this, this notion of simulating and learning through simulation has been well established. It used to be mechanical and now it's moving into virtual. So when we talk about the metaverse continuum one of the very first use cases for most insurers is around training, and this is going to be one of them. It used to be that insurers would have buildings that they would set on fire and then have their claims adjusters learn about what was happening.

It's a lot easier to do that virtually and lot cheaper to do that virtually, and have them not only walk through burnt-out buildings, but flooded basements and and leaking faucets and leaking mains, etc. So I think we will see a lot of activity on the training side this. And when it comes to what's happening with underwriting, certainly on the one hand, there'll be just underwriting to understand risk profiles of a factory or an office building or a home, right? So commercial or personal, I think we will see underwriters learning in those environments. I think the, not so much the virtual but but the data that surrounds creating those simulations will also be used on the underwriting side. So when we think about the metaverse continuum for insurance I think we probably see a start with training, including training for underwriters, But I think it will expand into what that metaverse enables in it in terms of its underlying data as well.

Pension schemes lack skills and insurance against cybercrime

Actuarial Post
June 2022

Abbey

According to new research out of the UK, 42% of pension schemes say they lack access to specialist skills to investigate cybercrime incidents. And 43% say they haven't tested the strength of their IT systems, processes, and procedures for cybercrime protection. Kenneth, is the struggle to achieve operational resilience in the face of cybersecurity threats—rising cybersecurity threats—really a universal challenge, or is it more acute in certain markets or lines of business?

Kenneth

Abbey, I'm sure there are pockets where this is acute, but the thing that is real about cyber and the risk from cyber is that it's a never-ending escalation, right? So for every effort that is put in place for resilience, there's someone out there finding malicious software to get around that latest data security. And so this is absolutely going to be an eternal vigilance space because you do have bad actors responding to everything that an organization does or what the industry does to actually maintain safety here. Now, that's just the state of play for the entire industry. That is absolutely going to be compounded in pockets where people don't keep up with what's happening, right? And I think we see that literally on the entire spectrum from the unfortunate reality is still an enormous number of household routers on which we are doing a lot of work these days, run with standard admin passwords… that's the personal lines side of not being up to date with what's going on, all the way to the commercial side and the specialty side of cyber. So I think unfortunately, we're going to have sort of this eternal vigilance game. And I think that that's going to be exacerbated for those who actually don't keep up.

Abbey

Well, Kenneth, thank you again for joining me for this month's Insurance News Analysis. It's always great to talk to you and hear your perspective on the industry.

Kenneth

Nice to talk to you, Abbey. Take care.