



Insurance news analysis

Video transcript

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Abbey Compton

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Welcome to Insurance News Analysis from the Chicago Innovation Hub. I'm Abbey Compton. Back again for Insurance News Analysis. And joining me as always is Kenneth Saldhana, Accenture's Global Head of Insurance.

Kenneth Saldanha

Global Lead—Insurance, Accenture

Hi Abbey, How are you?

Abbey

Good. I'm glad you're here. And here we have with us today, Jane Tutoki, long-time claims experts and board member for Sedgwick and Fortitude Re. And Jane, thank you so much for being here.

Jane Tutoki

Sedgwick Board and Fortitude Reinsurance Board

Great to be here, Abbey. Good to see you Kenneth.

Abbey

So we've been here all day, had some really great experiences here. It's a very new facility. Great innovations. Jane, what was your favorite part of being here today?

Jane

Oh my gosh. We have great discussions, but we went into the Metaverse and we're sort of trying to figure out applications with the Metaverse for insurance. And even though we're not quite there yet in the insurance industry, the training and cat applications are immense. And it was really exciting to start that, start talking about that and go down that path.

Abbey

And Kenneth, what was your favorite part?

Kenneth

I agree with Jane that the discussions are terrific, but I will admit, even though we just talked about being at the Metaverse, it was spectacular to have our innovation board together again here in Chicago, a chance to have all of our leaders in the new office together. And to have these discussions really live together in a room, able to interact at a level that we've actually missed a lot in the last couple of years for sure.

Florida insurer losses spiral after Hurricane Ian

Insurance Business
November 14, 2022

Abbey

So we want to get started and talk about some of what has been happening in the industry. We've had a very eventful hurricane season so far. Insurers and our customers are still reeling from the effects of Hurricane Ian, even as additional storms are coming in. So a lot of questions about damage, whether it's wind damage or water damage and where is the coverage coming from? Is it coming from flood insurance or is it coming from homeowner's policies? So Jane, what do you think about this? Was the industry prepared for the volume and the complexity of claims they've been seeing?

Jane

Yeah, good question. First of all, when you go back to Ian, which is now a few weeks ago, 126 people, I believe, passed away. And that, I mean, it's a real tragedy. Um, I believe the insurance industry responded well. I think they were well-prepared to do that, but there's always learnings when you go through a big catastrophe. And as we move down the path, and by the way, as we sit here, Nicole is sitting over top of Florida and probably causing more damage. But you learn from each catastrophe and I think they were prepared, but I think the impact to the industry as a whole is going to be staggering in the future because of pricing and CAT insurance and things of that ilk, so it'll be interesting to see how it plays out, but it's definitely going to impact the whole market.

Abbey

Yeah. What are your thoughts Kenneth?

Inflation and supply chain delays adding stress for claims adjusters

Insurance Business
November 4, 2022

Kenneth

I think it's hard to be prepared for a cat of this magnitude. And no matter what you do, and I think the industry knew this was coming. There's the cat response teams across the industry have been really, as you said, have taken the learnings over all these years and only continue to refine how they respond to deliver rapid service and help to all their customers. And I think they did that this time as well. The reality is this has hit at a time when we already are dealing with supply chain issues on building supply, supply chain issues on cars, on chips. We've had some of that conversation today. I think it is going to be an even tougher road. You take a big catastrophic event like this. The sheer volume and the scale of damage is huge. And then you add into

it some of the very complicated conditions we have right now for claims in general. And I think it's gonna be felt for a long time in terms of how people are able to recover back to where they would like to be in terms of their homes, their cars, and their lives overall.

Jane

The Florida market is tough anyway. I mean, for insurers and for people trying to place insurance, it's very expensive. It's about three times what the national averages for a homeowner's policy in Florida.

With another Fla. hurricane coming, signs pointing to bigger spike in reinsurance rates

Insurance Journal
November 8, 2022

Abbey

The Florida market was somewhat in turmoil even before then. Six insurers had already declared insolvency this year. And there are various thoughts on why that's the case. Fraud, potentially excessive litigation. Is this a uniquely Florida problem or is this really broader and potentially a cautionary tale for other states and other coastal areas?

Jane

Well Florida is where it sort of all centers because it's a growing population. A lot of coastline that needs to have insurance written on it. And, you know. Actually when you look at the stats, I think they've 8% of the premium in the US for homeowners, but 80% of the litigated homeowner's policy costs. So that's a little out of whack, but that being said, no, it's not just a Florida issue. This is an issue in other states as well, other popular states that are prone to catastrophes.

Kenneth

Yeah, I think this is, this is one of the things we really debate a lot when we balanced the issue of what's happening in Florida and what's happening with insurers influencing sustainability in the industry. Writing insurance in Florida is a difficult thing to do. It's a cat prone area. There's been a place where a lot of people want to live. There has been a lot of development and a lot of housing built on these coastal properties. And there is going to be a reticence on the part of insurers to either insure them as the rates on those properties are gonna be such in order to cover the risk regardless of the fact, Jane, as you said, it's a pooled risk; it will impact the overall market for sure. But building and insuring properties in that cat prone area is always going to come at a price. And so this is the flip side, I think, when we talk about sustainability and insurance...how could insurers contribute to the environmental solutions that are out there? It comes down to very difficult conversations like this, which is where we have an area in which a lot of people want to live. A lot of people have built homes. It is a highly developed area.

Yet, if you look at the environmental factors playing out in that space, it's a difficult place to live. And so you do see this very difficult balance between do we actually start saying we can underwrite these properties in these areas and we want to scale back to market versus the share market demand. And the fact that it is, in fact, today a highly populated area that requires insurance. So I think it will be absolutely felt across the industry. I think it will continue to elevate the debate about how to think about the underwriting appetite as a way of influencing sustainability and environmental impact. And it's going to play out for a while. We didn't go into this with a clean slate and we certainly won't be back to a clean state for a while.

Florida Citizens revises Ian loss estimate to \$3.8B, including litigation expenses

Insurance Journal
November 15, 2022

Jane

And the reality is when insurance gets tough to purchase, then it's 'Citizens' is what the insurer of last resort in Florida is called. They take on the burden, but ultimately the taxpayer and other tax-paying entities, like other insurers, pick up that bill. So it's not an ideal solution or situation right now. And we need to help the industry and politicians to come up with better solutions for how to write your insurance that can work for us in Florida.

Abbey

Some insurers are starting to think more proactively about how they can work with customers ahead of events like this, to warn them. I heard some insurers are now as Nicole was rolling in, sending out emails to telling people to please move your car if it's in an area where it could suffer flood damage. Are we starting to see insurers think more along those lines? Are we starting to see them use more technology and connectivity devices to help with some of those mitigation efforts?

Kenneth

I think they are. I think the industry is moving more and more in that direction and using the ability to reach out through multiple modes of technology to make that happen. I think the concept of risk mitigation is certainly not a new one of sending out risk warnings, of suggesting ways in which customers can limit the damage that they face in these situations is certainly not a new idea. For years, California homes have been sprayed with fire retardant material, particularly around fire season. Certainly that's a place where insurers have watched the movement of fires and warn customers of what they can do to minimize their damages if they can. So I don't think it's a new idea, but I do think what is new is because we've got so much more of the digital technology, you reach out to customers via cell phone, via risk alert by a lot more interactive means. I think the effectiveness of those risk mitigation warnings is actually climbing, which is a very, very good thing for us as an industry.

Jane

Yes, unfortunately not everyone takes that good advice, but I think insurance companies are doing a really good job with risk mitigation and trying to make sure people leave their homes and that they leave them safely and take what they need in order to make their claim, but we're not there yet.

Abbey

Okay. Well, Kenneth and Jane, it was great to talk to you both and be here in person again. So thank you so much and thank you for joining us for Accenture's insurance News Analysis.

Kenneth

Thank you, Jane.

Jane

Thank you so much.