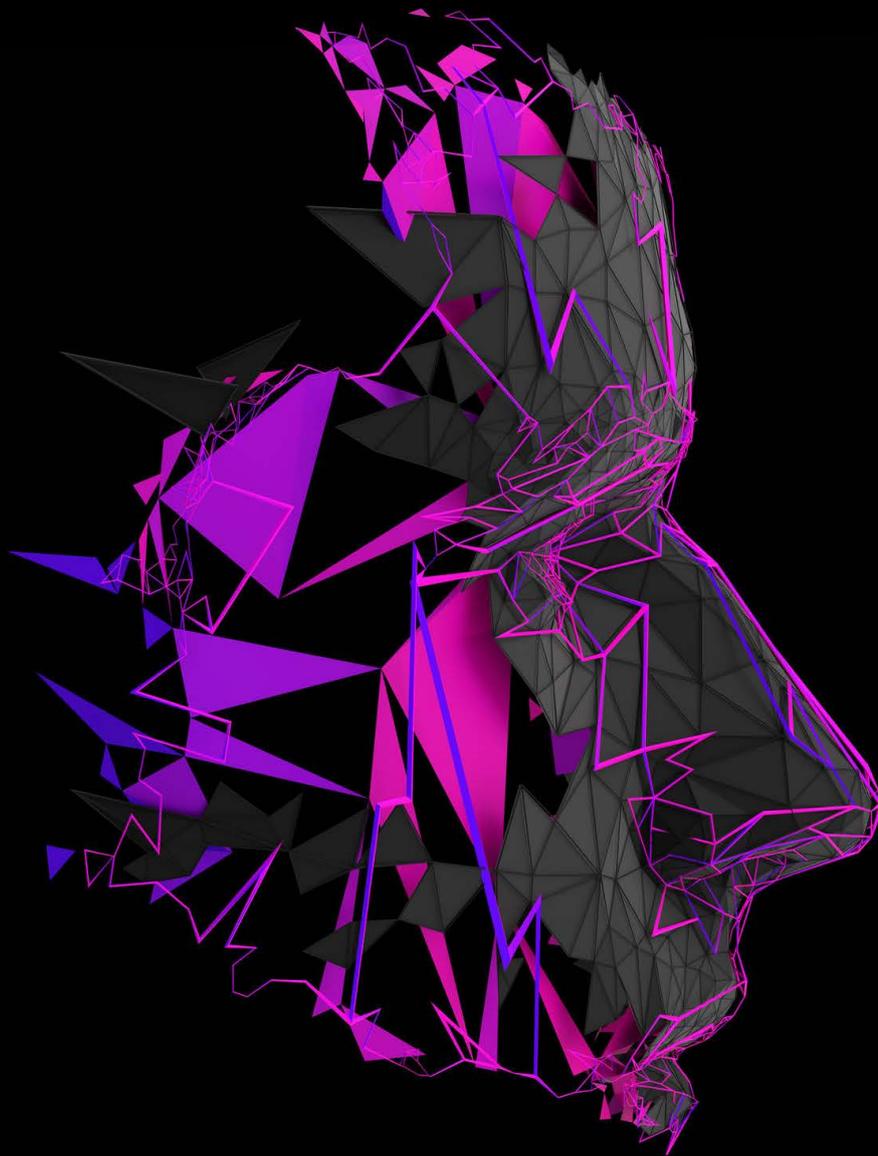




The Future of Insurance

Connect, Collaborate, Succeed



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What has been the most transformative effect of 2020's COVID-19 pandemic? Perhaps it is the way it has forced companies to reassess what it means to be truly agile, redefining how they measure efficiency and effectiveness.

On the other hand, the pandemic has accelerated digital transformation plans in a way few could have anticipated. It stretched – but then validated – the resilience of organizations and their employees, revealing new avenues of opportunity and fresh capabilities.

There was also something of a wake-up call. Digital transformation is underway, but for many progress is still not fast enough. And for an industry predicated on risk assessment, many have discovered that preparedness for the many challenges that the world is yet to face, is still “woefully inadequate”.

From taking on diversity and inclusion, where experts revealed that the industry was potentially excluding whole segments of its base through lack of representation; to sustainable investment strategies that aim to build a future-proof society, and an ever-changing risk landscape, many challenges still remain to be solved.

In this paper, we share insights revealed by executives in their presentations from across three key industry summits: Future of Insurance USA, Canada and Europe. They reveal the changes their organizations have had to make to respond to the challenges of COVID, as well as the plans they have in place for an insurance sector fit for the future.

We hope you enjoy it.

Graham Proud

Global Head of Insurance Collaboration, Reuters Events

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*Thought leadership extracted from speaker presentations and panels as part of 'The Future of Insurance' series of online events ran by Reuters Events in November 2020.

Introduction

2020: The Year of Unrelenting Change for Insurance

It is obvious by now that 2020 has been a year of unprecedented change for the Insurance industry, forced upon us by a global pandemic. Fear of contagion has forced social distancing and contactless business interactions overnight, bringing a swift end to the old ways of conducting so many core insurance functions from customer service to in-office interactions for underwriting and claims adjudication. Leading into the year Digital Transformation was launching a paradigm shift in customer experience – especially around onboarding and claims – and operational excellence. If anything, 2020 accelerated the paradigm shift, as it forced so many customer populations to ‘go digital’ in their interactions. Face to face interactions, exchanging documents, along with the processes that supported them all had to be re-imagined and made contactless overnight if Insurers expected to survive. Put simply, the COVID-19 Pandemic forced Digital Transformation’s mass adoption in Insurance as an absolute necessity.

Going Digital has been underway in the Insurance industry for several years already, exemplified by InsurTechs introducing competing business models by targeting at the industry’s biggest pain points: customer experience and claims. Indeed, expedience being the mandate for maintaining continuity in this year of massive disruptions, many mature traditional carriers have partnered with InsurTechs to deliver collaborative solutions that quickly get around traditional impediments of legacy technologies and processes and enable carriers to create unique offerings that delight new customers. These new InsurTech models were particularly appealing to tech-savvy demographics (Millennials, most notably) but had been slow to grab other Insurance populations who were comfortable with existing interactional models. COVID-19 eliminated that resistance overnight and forced the mass-adoption of Digital interactions, which both mainstreamed digital interaction and facilitated creative collaborations between traditional carriers and InsureTechs.

Automation became a necessity overnight, but so did looking at processes and technology more critically to identify their points of friction and strategically eliminate them as fast as possible. The technologies used to transform the industry – process mining and assessment, RPA, AI with ML, Intelligent Document Processing – were already available before the Pandemic, but it was not new inventions but new applications of these technologies that marked the Digital revolution of 2020. Accordingly, we have seen Insurance providers across all major sectors take a serious look at how they can immediately apply Intelligent Document Processing using artificial intelligence (AI) with machine learning (ML), advanced OCR, and automation in new ways to remove friction from experience throughout their customer journeys.

2021 and beyond may see some return to ‘normal’ interpersonal interactions once we gain control of COVID-19 transmission, but we predict that the digitization of customer experience journeys and underpinning processes will continue on its current path of contactless automation. Why? The Pandemic’s greatest effect on the industry has been to normalize digital interactions across the widest spectrum of users. Customers previously resistant to online interactions have not only embraced them but become savvy technology users. Realizing that interpersonal interaction is precious, digital automation of business interactions frees up time and energy to focus on higher-priority family and social interactions. This mass adoption of automating Insurance customer interactions has set the baseline of automation higher than ever before, and these paths of automation will continue well beyond the Pandemic. Global crisis has a way of focusing attention on what matters most, then using technology to enhance it.

The logo for ABBY, consisting of the word "ABBY" in white capital letters inside a red circle.

Reginald J. Twigg
Director of Solutions Marketing
ABBY

Insurance Post-COVID-19: There is no inoculation against change

Following a year that can, at the very least, be described as transformative for the world's population, Reuters Events' flagship Insurance conferences – Future of Insurance Canada, Future of Insurance Europe and Future of Insurance USA – could not have been more different from the norm, in both form and content.

In an industry that often operates at different speeds and levels of innovation across territories, with varying infrastructures and priorities, coronavirus proved to be a largely unifying event. With a huge range of topics to tackle, including the impact of the virus, progress on diversity and inclusion, digitization and innovation, there was a surprising degree of consensus from the executives presenting across all three events. There was a constant thread through every discussion - change is inevitable, accelerated and participation is non-negotiable.

The COVID catalyst

Unsurprisingly, the pandemic dominated the conversation. There is no corner of people's lives the virus has left untouched – personal or professional. Executives related how their organizations had responded, from their ability to transform overnight to remote working operations, to discovering the need for new coverages or policy structures. On more than one occasion, leaders were compelled to state how proud they were of their people, their organizations and the sector for its ability to perform in challenging times.

But while the industry undoubtedly performed to the absolute best of its abilities, COVID-19 certainly also shone a light on where advances are badly needed. It highlighted how customer sentiment has changed particularly towards the need for digital-first operations and a more agility overall.

Rowan Saunders president and CEO Economical Insurance Company discussed the challenge in the context of auto insurance but there are learnings across the sector: "We've got to be more responsive to trends we have to be able to be more flexible loan products like usage-based insurance telematics, we have to be able to be more flexible on our pricing and the pace at which we change our pricing models."

Responsiveness in a crisis is certainly valuable, but Dan Glaser, CEO, Marsh and McLennan questioned why the industry had to find itself in crisis mode. Where was the preparedness, he asked? "Human beings are resilient. That's the good news. We're very good at thinking through risks that happen and managing them in the future. We're not so good at predicting them."

Perhaps seeing the future may prove too much of an ask in a world that is frequently buffeted by social and environmental change. However, preparedness is a very achievable goal. One of the positives to draw from the pandemic, executives agreed, was the way it accelerated insurers sometimes tentative transformation and innovation plans, as well as revealed new approaches that benefit both industry and consumer.

The ever-present threat of Climate Change

While COVID is naturally ever-present in the day-to-day, it doesn't mean other concerns have gone away. Tom Troy, CEO, CSAA Insurance Group, pointed out: "This entire nation, you know, during the time of the pandemic is also had to do some extraordinary events that have been delivered by Mother Nature."

In fact, while you can argue that the pandemic might have been a justifiable surprise, climate events and climate change shouldn't be. Which is why Jason Storah, CEO, Aviva Canada delivered one of the most impassioned presentations of Insurance Canada. As a global community, he said, we are doomed to the insanity of making the same mistakes time and again and yet expecting a different result.

"We have enough scientific data to protect each other from massive climate related devastation, trust in science has remained high for several decades now since the 1970s, and yet we continue to ignore what we trust the most." Storah said, and went on to quote Jill Trepanier when she said the US was "still woefully underprepared ...lack of defenses.... response...is often slow and inadequate."

He wasn't the only executive to make the plea that the sector and society at large must pay more heed to the science. "Incorporates themselves, their staff, colleagues, climate change is one of the things that binds everybody together. Everybody cares that these are important things we should be doing, not just for ourselves but for our children and our children's children," insisted Nigel Wilson, CEO, Legal and General.

Altruism isn't enough and many executives were at pains to point out that there was a financial imperative, certainly from the prospect of reducing loss. But there needn't be a negative lens to acting on climate change as Wilson continued: "Climate change is the most exciting investment opportunity. Renewable energy used to mean clean but expensive. Now it's clean, green and cheap."

Momentum for innovation and future change

Many insurers' transformation projects received a rocket boost during COVID, be it migrating customers to digital self-service or using drones to adjudicate damage from the growing number of CAT events. However, some noted that, even now, progress could be faster. Economical's Saunders noted that he was "actually a bit surprised at the P&C industry isn't as far along as I would have expected, compared to other industries."

What Saunders is anticipating is a series of subtle shifts that will compel the industry to keep evolving once the pandemic is a distant memory. "We need a modern technology stack. One of the biggest things we will see will be this digital revolution. I don't mean to exaggerate the point, but it could be as profound as the Industrial Revolution." This, he said, will continue to evolve across the entire insurance value chain, from underwriting through claims and even to brokers.

Susan Rivera, Tokio Marine HCC CEO, agrees that this is something of a tipping point and the opportunity for change is there for insurers to grasp but, she adds, it is still a major commitment. "It is a really wonderful excuse for us as an organization and industry to really fully charge our digital strategies moving forward. But digital business is a full team sport for the entire Executive Committee. You need to have a big picture vision to be able to share. It's going to be much easier for employees to get on board with a vision that's consistently communicated."

Insurers should also be looking to helping build the long-term foundations of innovation, something Legal and General's Wilson believes they have the unique power to do through their investment arms.

"We've got to get behind start-ups and scientists. We've seen changes coming at us but we haven't been educating ourselves. There are now wonderful opportunities."

Wilson points to the differences between Europe and North America, noting that the latter has always been able to make a better job of the 'D' in R&D. "The pandemic has taught us that we can change. Things that would take 10 years to invent, like wonder drugs, took less than 10 months. We're redefining how we solve problems, something we should be really good at."

A cultural shift

Of course, new technology, blue-sky thinking and crisis response only get organizations so far. At the heart of insurers' success, regardless of digital transformation and automation, has been and will always be the people. Across all three conference agendas there was a strong theme that the sector had to invest in its people.

This fell into a number of camps. On the one hand, how organizations adapted to the new hybrid way of working was a question that came up time and again. How beneficial was remote working?

"In a lot of ways, we have improved in this crisis. We're faster, more connected and more collaborative than we ever have been. But I do think that it has been overcooked a little bit. Many offices, including Marsh McLennan [need] more of a hybrid model. The office will stay in the center of the Marsh McLennan universe, though with more flexibility."

While remote working for established staff may sound like the ideal, it could prove a challenge for insurers who are looking to inject new blood into the industry. Typically, insurers could show, not just tell, what it is like to work in the industry through in-person experiences, travel, conferences and more.

Executives felt that perhaps it was time to work harder to entice talent. “We need to find more ways to tell the story of insurance to college graduates. It’s an exciting place to be in right now, and we need the talent coming through.” CSAA’s Troy insisted.

Building on culture, remote or otherwise, is going to be critical for insurer success, as an exclusive panel featuring leading executives discussing diversity and inclusion revealed. Steve Wardlaw, chairman and co-founder, Emerald Life, explained that the lack of representation within organizations is a significant contributing factor to the industry’s current lack of inclusive products:

“When we look at the LGBT plus community, women in non-traditional families and single people, a lot of the advertising, product design and customer experience really focus on focuses on the concept of the market and the customers as a practice white heterosexual able-bodied family groups, and that’s where a lot of insurance is written and marketed to.”

Representation at the top of the business is key to achieving diversity and inclusion aims, added Lloyds Europe CEO, Sonja Rottiers, noting that the organization has a target of 35% female representation in leadership roles and 20% in boards and executive committees. She added: “If we can create a pipeline for future female leaders and board directors, it starts breaking out those organizational and technological silos that can stifle innovation, which is key for the future at Lloyds.”

Getting that pipeline of women into those roles is still a challenge but Alison Martin, CEO EMEA, Zurich explained that the company had touched on an ingenious – yet simple – solution. “We changed some of the [job] advertising language. We added six words. We added that you could do the role part time, job share or flex work. Simply adding that we saw a significant increase in the number of women applying for managerial [positions].”

After a year of challenge, executives across all three conferences may seem to have posed as many more questions as they answered but, in the words of Tokio Marine’s Rivera; “We have a tremendous opportunity to embrace change and rise to new challenges. Our role is to provide a healthier and safer society.”

The appetite for change has been created and, in many cases, the foundations have been laid structurally and technologically to make significant progress. What is critical now is that, when the anticipated return to normal happens after mass vaccination, momentum isn’t lost. CSAA’s Troy concluded: “How do we make sure that we keep moving forward, versus, taking a step back? We don’t want that shift to take us backwards on this progress.”

For more information about Reuters Events and to discuss future working relationships, do not hesitate to get in touch:



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