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GLOBAL CONCERNS SURVEY: TECHNOLOGY

This is the fifth article on the joint IIS and Institutes evaluation of the greatest concerns to insurance professionals around the world. This comprehensive survey polls over 2000 insurance thought leaders from every geographic region of the world and every industry sector regarding the issues that keep them awake at night, and it is therefore a valid barometer of leaders' opinions.

We have previously written about respondents' assessment of four areas of concern: Economic, Operational, Political & Legal and Social & Environmental. Last but certainly not least, we now turn our attention to the survey's insights into probably the executives' most pressing concern about the industry's future: Technology.

Bearing in mind that the survey was conducted before the outbreak of COVID-19, here are the results. Respondents' number one Technology concern was the digitization of the customer relationship. Digitization in general improves the efficiency, consistency and quality of information. With respect to insurers' relationships with customers, the "CX" or customer experience, digitization also removes redundancies, shortens the communications chain and facilitates faster and better exchange of information between the parties.

Insurance buyers, having grown accustomed to digitized interface with other product and service providers like Amazon, Google, Alibaba and the like, now demand not only better service, but an entirely different kind of service. The fact that our survey respondents ranked the digitization of the customer relationship first is no surprise.

Updating legacy IT systems ranked second in the survey. Insurers have "invested" billions of dollars in hardware and software that fails to deliver what 21st Century insurers and their customers need. Generally speaking the bigger and older the insurer, the more monumental is the task of updating legacy systems. Anecdotally, I recently heard from a friend about a meeting where senior management expressed near apoplectic shock upon hearing a \$75 million estimate to upgrade their internal commercial and personal underwriting system, and was then floored to hear that the alternative of buying a new system might cost \$150 million. This is an industry problem so widespread and so severe that it may well be a factor in accelerating industry consolidation: many insurers simply can't afford to do what it takes to make their systems competitive in this new environment.

Concern about autonomous vehicles ranked third in our survey. Obviously personal auto insurance writers view this development with great trepidation, but commercial auto and truck insurers also fear the loss of significant premium and thus investment income over the next decade. While the concern strikes many executives as not being in the urgent category, most seem to agree that it is a very substantial long term issue.

Somewhat surprisingly, applying blockchain effectively ranked just fourth in our survey. There is widespread agreement that the potential for blockchain to reduce manual data manipulation and enhance end-to-end processes. This is especially true where disparate sources of data are involved. Real world

applications have lagged the hype. Blockchain will grow as an industry tool, but some of the breathless excitement has faded over the last year.

Farther down on the survey ranking were cryptocurrency risks and drone technology, which ranked fifth and sixth, respectively. Insurers expressed awareness of these issues, but not enough of a concern to warrant significant senior management attention at this time.

Technology concerns, like all four of our other survey topics, have been affected and re-prioritized by the pandemic. Digitizing the customer relationship seems even more urgent than before, for instance. But new issues have arisen as well. The prevalence of the pandemic-driven Work From Home surge has many manifestations. Insurance companies have had to provide WFH solutions to the vast majority of their employees. Some employees had reasonably good computers, printers, internet access etc. before the pandemic, but many did not. Many, but not all, had a workplace at home that was conducive to relatively normal productivity, and so companies have been forced to help their workers enhance their systems. Cyber risk has increased, as home IT systems have proven much easier to hack than corporate headquarters systems.

Most insurers are now rethinking their workplace and workforce of the future. More employees working mostly from home; fewer business trips and conferences; more online meetings via Zoom, Microsoft Teams, Webex and the like; technological challenges for such issues as onboarding of new employees, projects that require team interaction, transitions from departing employees to those who take over their responsibilities, for instance. All these new management challenges involve the need to better use technology, and I'll wager that if our survey was done right now, the multifaceted issue of the WFH revolution would rank number one in the Technology topic.

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