Insurance Industry Overview

Insurance is a legacy enterprise that is being forced to adapt to changing times and consumer expectations. Technology is reshaping the industry and replacing the traditional face-to-face model of buying and selling. At the same time, insurance products are as relevant as ever, perhaps more so given the new types of risk that have emerged as society evolves.

The global market is a six-and-a-half trillion-dollar global enterprise. What began thousands of years ago to protect maritime trade and land shipments of goods has expanded to accommodate societal change. We take it for granted today, but mass-market homeowners' and healthcare plans were not available until the 1930s or so. Back then, cybercrime did not exist; today, it's a massive problem that threatens virtually every organization.

Did you know

- The biggest payouts, totaling **$170 billion,** followed three hurricanes in **2005**
- The fledgling cyber insurance market will grow **25%** per year through **2028**
- Modern insurance began with the great London fire of **1666**

The expanding coverage options come as there are fewer and fewer industry professionals to service them. Insurance never appears on any list of preferred careers, and as the old guard ages out, that presents a different kind of problem. On the other side of the interaction is a customer who wants attention and personalization.

Industry trends

More threats and a more expensive world translate into higher premiums for coverage. For instance, only 8% of vehicles cost less than $30,000. Likewise, the cost of healthcare is rising as are prices for construction materials. Meanwhile, there is more competition than ever before, which usually bodes well for consumers in better pricing. This is where the value of knowledgeable professionals comes into play, helping customers to understand what they are getting for their money.

- **Digitalization:** the transformation is ongoing as carriers work to modernize older and silo-oriented IT systems to create a more modern marketplace. It's a cumbersome undertaking, but it's also unearthing some inherent inefficiencies that need correcting. At the end lies a combination of automation for rote tasks such as claims processing and humanization for consumer issues that require a higher touch.

- **The user experience:** consumers of just about everything want more personalization, and with the mounds of data now readily available, industries are in a good position to deliver. Individually tailored insurance products satisfy customer priorities and provide more accurate risk assessment, improved retention, and better margins. Customers also have a wider range of channels at their disposal – websites, apps, and conversations – so the industry must adopt a multi-channel approach that engages users in their preferred method.

- **Artificial intelligence:** this has the potential to touch every part of an insurance business while also enhancing operational efficiency. There is a justifiable concern that automation will replace people, and it will, but it also presents a big step forward in preventing fraud, improving security, and predictive analytics. It is also worth remembering that behind every AI application is a person or team.

- **Managing cybersecurity risk:** the anticipated cost of global cybercrime is roughly eight trillion dollars. That's well beyond the impact of weather disasters, health issues, or anything else that falls under the insurance umbrella. It's also a concern for insurance companies themselves, given the amount of personal data they have on hand and the relative success rate of ransomware attacks.

The thing that this industry values most – stability – has been hard to come by of late. In recent years, we have moved from one short-term crisis to the next, what with the pandemic, political unrest, supply chain upheaval, and weather events that impact more people. There is also a changing macroeconomic landscape, with years of low inflation and favorable interest rates now a memory and an uncertain course ahead.

Critical challenges

While the industry is moving to modernize on the technology front, it has a concurrent struggle to find and keep talent despite being a high-growth, multi-trillion-dollar industry. The absence of a ready pipeline of incoming professionals is a continuity issue as carriers lack people who understand and can apply existing innovations. The selling points of a stable, potentially lucrative career that ticks the box of helping others has to overcome a perception gap of insurance being stuffy and dull.

Economic turbulence reminiscent of 2008 has also raised the specter of policies lapsing. That would be on top of the payouts several companies have experienced and underscores that while the industry expects growth, nothing is guaranteed. Other potential issues include:

- **ESG:** what was once an idea that encouraged voluntary participation is becoming increasingly mandatory and regulated, with insurers forced into areas that are outside their expertise. Some of this involves the demographics of employees with the threat of lawsuits for non-compliance, and some involves figuring out how to extend coverage into the renewable energy market.

- **The new face of underwriting:** this is being pushed from a relationship-based task to one that is more cost-focused, with the expectation that the same data used to understand customers will also be used to minimize overhead. Ideally, accurate data will improve risk assessment.

  The role of Insur-Techs: just a few years ago, funding for these firms was spiking worldwide. Now, as many as 25% of existing companies are expected to disappear through mergers and acquisitions, insolvency, or other factors. Investment capital is waning due to questions of profitability and continued inflation.

- **Inflation vs. premiums:** while premiums will continue to rise, the rate of increase is likely to slow down. At the same time, repair and replacement costs for damaged properties are going up. This may create an imbalance and presents an actuarial issue. One remedy could be the personalization aspect that was discussed earlier, wherein insurers work with their customers on coverage options that make sense for both parties.

The power balance between carrier and consumer has shifted in favor of the end user. Companies have to be more responsive and put a premium on service. The value-add is becoming more common and can include using aerial imagery to asses if building's roof needs attention or consulting to help strengthen potential weak points ahead of storms.

GlowTouch Global Headquarters
9931 Corporate Campus Dr, Suite 1400, Louisville KY 40223
+1 (502) 410-1732 | info@glowtouch.com

What's in it for us?

The industry's increased digitization plays into our experience with technology. More people using more tools more often means a greater demand for customer care, and as technology becomes more complex, so do the issues that consumers encounter. We deliver on topics such as scalability, managing peak demand periods, and providing "wow" experiences, plus:

- Data analytics for real-time insight
- Retention expertise and a track record of generating new sales
- Onshore, offshore, and nearshore locations

Why outsource?

- **People:** support is labor-intensive
- **Money:** outsourcing service costs less than doing it internally
- **Technology:** keeping up with change deviates from core functions