

12 Insurance Industry Trends in 2022



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By One Inc

In this report, we discuss the challenges and opportunities impacting the property/casualty insurance industry and the twelve insurance industry trends in 2022 that will drive the ability to provide a frictionless customer experience.

● Introduction

Insurers will have a busy year as rapid growth is expected to continue. Although challenges exist with talent shortages, climate risk, increased regulatory requirements, and managing the technology/human balance, insurers can leverage the lessons of the past year to get closer to providing a 'frictionless' customer experience.

Here are 12 key areas you'll want to pay attention to in 2022:

① Customer Centricity

Customer experience is a differentiator. In today's world, a superior customer experience is the most sustainable competitive advantage an insurer can have. A 2021 Celent Model Insurer Study found that 87.5% of insurers rated customer experience as extremely important for both company strategy and for generating new business.¹ Optimizing that experience for today's insurance customer requires carriers to urgently drive a paradigm shift throughout the enterprise, embedding a customer-first mentality.

Reimagining the policyholder journey using design thinking and an outside-in approach that considers customer needs first will ensure carriers make decisions that deliver the most direct customer value. This customer centricity will continue to hold top focus in 2022. Execution

will require insurers to essentially view everything through the customer lens by eliminating the organizational silos that still exist and going deeper to understand the customer's view.

Insurers will not only need to meet customers where they are today but innovate to meet them where they'll be tomorrow. It will require new approaches to digital engagement, automation, technology, and data that incorporate customer preferences while promoting transparency, convenience and speed. It is impossible for an insurer to have the resources and expert capabilities to handle all of these challenges on their own.

It will take strategic partnerships and a strong ecosystem for insurers to be able to provide a truly personalized digital customer experience.

These partner ecosystems will also play a pivotal role in an insurer's ability to innovate and grow.

2 Low-Code/No-Code Tools

Widespread adoption of low-code/no-code platforms is increasing rapidly as insurers accelerate their digital transformation efforts. These platforms provide insurers with tools to develop software easily and quickly. Low code is a visual

approach to software development that minimizes the amount of coding required to deliver custom software. No code platforms provide templates with drag and drop visual editing tools that allow users to build applications and websites from existing elements without actually writing code.

Low-code/no-code tools are revolutionizing the industry by enabling the agility, flexibility, and innovation needed to meet the demand for real-time responsiveness.

And with the existing technology talent crunch, this technology trend couldn't be more needed. Empowering business partners to design, build and test allows for resource expansion that contributes to growth.

Gartner predicts that low-code/no-code development will account for 65% of all application development by 2024.² And Novarica has projected that by 2025, at least 80% of custom development projects in the industry will involve this technology.³ Insurers who take advantage of low-code/no-code tools to build, test, and deploy products rapidly will undoubtedly gain a competitive advantage in today's digital insurance marketplace.

3 Data and AI

According to recent Deloitte research, technology budgets on the whole are anticipated to increase by 13.7% in 2022, with 74% of respondents expecting increased spending in AI technology and 69% in data acquisition.⁴ Data is an extremely valuable organizational asset

“Data is not static and the ability to extract intelligence and make knowledge-based decisions from customer data is a key competitive edge.”⁵

– Eileen Potter, ABBYY’s Solution Marketing Leader

for carriers across the entire insurance value chain. Its acquisition and utilization is crucial to simplifying and improving the customer experience. The use of data prefill from internal and external sources alone can greatly accelerate processing time for policyholders. And harnessing new data to personalize experiences drives even more value. Artificial intelligence can be utilized to further leverage data to drive automation and simplification.

At the 2021 Connected Claims conference, digital intelligence company ABBYY’s Solution Marketing Leader, Eileen Potter stated, “Data is not static and the ability to extract intelligence and make knowledge-based decisions from customer data is a key competitive edge.” Insurers simply cannot deliver speed, simplicity and ease across channels without accurate and actionable data.

Sue Unvarsky, Prudential’s Head of Life Claims, reiterated this message in her session, discussing the importance of insurers having as much relevant customer data as possible before a triggering event so that they can respond with empathy at the first touch and pay claims as quickly as possible without asking insureds for additional

information. An IBM study reinforced the value of AI, revealing that insurers who increase AI use during the customer journey can show a significant increase in NPS and retention rate.⁶

The volume and quality of available data employing advanced AI will increasingly help insurers better underwrite, price, and manage risk with increased speed and better accuracy. As insurers become more dependent upon data, however, and increasingly use AI to automate, more preventive measures will need to be taken regarding bias in AI algorithms and scoring models that can lead to ethical questions, regulatory investigations and litigation. Deloitte’s survey found that only 24% of respondents were training AI and machine learning programs to identify algorithmic biases.⁷ Steps will need to be taken to mitigate compliance and reputational risks. And the challenge will continue around how to effectively access and organize vast amounts of unstructured and fragmented data in the most cost-efficient manner.

4 Data Privacy Protection

Although digitization and the extensive use of customer data has brought significant benefit to the insurance industry, it has also brought demand for data privacy and an increased need for protection. The widespread use of telematics, IoT and wearables means that a tremendously significant amount of personal data is regularly collected on digitally connected devices.

So, how much control do consumers want over their personal data? The answer is that it's complicated. In a Nationwide survey, 60% of respondents said telematics raised concerns about data and privacy. That said, however, 65% said they would be willing to use telematics for a discount.⁸

The truth of the matter is that policyholder and customer data is susceptible to security breaches and misuse. The extensive use of customer data has resulted in the development of new state and federal regulations to prevent consumer data from being sold and shared without permission. The National Association of Insurance Commissioners (NAIC) has now created a Big Data and Artificial Intelligence (EX) Working Group to review existing regulatory frameworks used to oversee insurers' use of consumer and non-insurance data.⁹

Insurers who are transparent around how customer data is being collected, used and protected will be able to increase policyholder trust.

To avoid incurring severe penalties from growing data privacy regulation, carriers will need to adhere to a diligent compliance strategy.

5 Cybersecurity & Risk Management

Cybersecurity is a critical focus for insurers in 2022. Global cyberattacks across all industries increased by 29% in the first half of 2021, primarily due to a 93% surge

in ransomware events. Cybersecurity claims data shows record breaking ransom demands.¹⁰

"Gone are the days of limited seven-figure ransom demands," said Tim Nunziata, Associate Vice President and Head of Cyber Risk at Nationwide. "Now we're seeing multi-million dollar demands regularly."¹¹

Estimates show ransomware will remain a continued threat into 2022 with a noticeable difference. Attackers have broadened their reach to suppliers and networks, causing organizations to expand security measures taken to protect assets. Since insurance carriers possess substantial amounts of confidential and sensitive policyholder data, they have become a natural target for cyberattacks.

Carriers will need to continue to expand their cybersecurity capabilities to detect, prevent, and respond to attacks in order to mitigate risk, with many insurers incorporating an ecosystem approach to cybersecurity technology.

Opportunities will exist for carriers who provide stand-alone cyber insurance coverage to organizations with expanded options for things like response and recovery efforts, extortion, and business interruption.



6 Distribution Management & Agent Experience

Although insurers have discovered other distribution channels, independent agents will remain valuable into 2022 and beyond. To drive growth, insurers will need to integrate the agent experience into their digital strategies, enabling digital interactions across agency workflows and ensuring that it truly is easier for agents to place business with them.

A July 2021 Celent study of independent agents reported that 76% agreed they would send more business to insurers if they improved their technology.¹²

Why is that? Because the reality is that even though many carriers have transitioned to modern policy and claims administration core systems, they are still using legacy systems for distribution management, as well as spreadsheets and other manual processes. And there are many carriers who have still not achieved any significant level of straight through processing even for the simpler auto claims.

Ease of doing business means more than providing self-service transactional capabilities, but also includes enabling agents to better service customers. Carriers more advanced in their distribution transformation journey have even been able to

organize data to provide more advanced compensation and management programs. Going forward into 2022, it will be important to stay in touch with what the new brand of agent requires.

7 Climate Risk Impact

With the two costliest natural disasters of 2021 recorded in the US, financial losses from climate risks will continue to impact P&C insurers into 2022 and beyond. The recording breaking volume and severity of weather-related events in 2021 have wreaked havoc on underwriting results, cut into P&C insurer profitability, and impacted the cost of reinsurance. According to SwissRe, climate change is the key driver of a riskier and more complex property portfolio for insurers.¹³

Natural catastrophes caused estimated global insured losses of USD 105 billion in 2021, the fourth highest since 1970.¹⁴

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“The impact of the natural disasters we have experienced this year once again highlights the need for significant investment in strengthening critical infrastructure to mitigate the impact of extreme weather conditions,” said Jérôme Jean Haegeli, Swiss Re’s Group Chief Economist. “In the US alone, the infrastructure investment gap to maintain critical and aging infrastructure is USD 500 billion on average per year until 2040. Partnering with the public sector, the insurance industry is critical for strengthening society’s resilience to climate risks, by investing in and underwriting sustainable infrastructure.”¹⁵

Data needs and regulatory requirements for insurers around climate change will also continue to grow. The NY Department of Financial Services and the US Securities & Exchange Commission are both developing guidance on how insurers should be approaching the impact of financial risk from climate change.

8 Embedded Insurance

As customer demand for convenience and personalization increases, traditional longer term fixed policies are no longer very appealing. Today’s insureds would much rather customize insurance according to their needs at the time, directly from their smartphones. And since embedded insurance is available in real-time at the point of sale, or contained within the product itself, it provides an opportunity for consumers to purchase protection that makes sense in the moment. It can even seem more to them like a product feature than a separate commodity. And it’s not just attractive to potential insureds, but insurers as well. Embedded insurance will continue to move



into broader ecosystem partnerships in 2022 that drive insurer growth through new distribution channels with noninsurance entities.

Technological advances and the prevalence of digitally enabled real-time data sources (e.g., smartphones, wearables, telematics, etc.) will make it even easier to embed offers of the right insurance products to customers at the right time.

Root Inc. CEO Alex Timm, whose company has an embedded product partnership with Carvana, believes that the future of car insurance will significantly change because these ecosystem partnerships and embedded platforms will just work better for consumers.¹⁶ And Simon Torrance, founder of London-based Embedded Finance & Super App Strategies, predicts that the property/casualty embedded insurance sector could account for more than \$700 billion of gross written premiums by 2030, or 25% of the global market.¹⁷

9 Human Touch & Technology Balance

No matter how much automation occurs, human touch will always be a necessary component of customer interaction, especially in an industry as nuanced as insurance.

And with next-gen technologies that augment existing human capabilities instead of replace them, adjusters have the ability to spend time with insureds who need more guidance. Managing the most routine claims with automation and self-service options frees up insurance company representatives and claim adjusters to focus their time on more complex cases that require human expertise and empathetic interactions.

As insurers move forward, they will need to continue to refine the automation process and find the delicate balance between human interaction and the technology that drives the greatest customer value. Automation should make it easier for insureds to file a minor auto accident claim via text or online chat. It should drive greater transparency into claim status with n-way texting so that insureds know exactly what's happening at any time with their claim. But at the same time, carriers will need to ensure that customers have choice in their engagement methods and can still speak to a human whenever they feel it necessary.

As Gwen Olson, Assistant Vice President, Enterprise Claims Strategy at American Family Claims Services (AFCS), explained at the 2021 Connected Claims Conference: "As automation advances, we believe claims handling will have to offer more than

an automated claims experience. It will power a personalized service, freeing up our adjusters to show up for our customer in new ways in the moments that matter.¹⁸

10 Intelligent Automation & Robotics

Through the use of robotic process engineering and machine learning, many manual business processes have already been easily automated, and this trend will only increase in 2022. Innovative technologies such as intelligent automation and robotics are critical tools that enable insurers to improve operational efficiencies while expanding capacity, increasing agility, and reducing costs.

Farmers Insurance has already begun to use robotics technology in field claims and property inspections during catastrophe situations and natural disasters.

Its use helps in navigating dangerous areas in order to collect critical data that can optimize claim handling and better assist severely impacted customers. It also allows them to keep employees safe while fostering innovation that drives growth.

Commercial drones have been estimated to help the insurance industry save \$7 billion per year by increasing operational efficiencies, reducing fraud and increasing employee safety. Drones are effectively used for aerial data collection, underwriting, and catastrophe response. They can help underwriters and adjusters obtain

information up to 10 x faster. In crop damage situations, they can allow for at least 3 x as many acres to be inspected than an on-foot adjuster. Per a 2018 FAA study, the insurance industry alone accounted for 17% of all drone applications in the US.¹⁹

11 Telematics & IoT

Growing in its popularity and use, telematics and the Internet of Things (IoT) will not be slowing down any time soon. Insurers can leverage device data to help customers maintain their home and mitigate risk. Telematics can detect collisions and push a notification to the policyholder to initiate a claim. Smart sensors could eventually replace traditional FNOL and allow for the repair process to automatically be triggered.

Per McKinsey, connected consumer devices will increase rapidly with estimations showing there will be up to one trillion connected devices by 2025.²⁰

And as these devices proliferate, pricing algorithms will mature and with that an increase in the volume of instant issue insurance products and policies.

But although this presents opportunity for both insurers and insureds, it is not all deemed beneficial by customers who can view this type of activity as intrusive. And insurers may not want to be the initial bearers of bad news. Especially in commercial

lines, claim filing may not be the desired response. In addition, an indirect consequence of using these technologies can be unintentional bias and discrimination. Insurers will need to be diligent in their product testing going forward, incorporate risk mitigation, and ensure they maintain a strong hold on the pulse of their customer base.

12 Talent Crunch & Skill Development

Recruiting and retaining the right talent in an extremely competitive job market will be one of the biggest insurer challenges in the upcoming year.

Deloitte's global survey found that 43% of insurance talent respondents feels it's getting harder to find skilled candidates in a number of functional areas. Roles requiring technology skills top the talent crunch list: cloud engineering, data science, AI, software development and cybersecurity.²¹ The increase of the use of low-code/no-code tools will help insurers bridge at least some of this technology gap.

Insurers will need a multi-faceted approach that addresses reskilling, work-life balance, the looming effects of COVID-19, and the needs of a remote work force. Insurers will need to continue to make roles more challenging, such as offering upskill opportunities that perhaps could allow contact center representatives to learn more about claims adjusting. And innovative training techniques will be needed to equip staff with critical

skills and increase employee retention.

At Farmers Insurance, for example, they have incorporated the use of both augmented and virtual reality to help train employees to deliver more empathy and provide their customers with an optimized claim experience. Leveraging AR and VR, they have been able to train with real life scenarios to help increase confidence and accelerate the learning curve for new employees before they deploy to the field.

● Going Forward

Although there will be many challenges ahead due to effects from the pandemic, cyber risk, and talent shortages, the outlook for the insurance industry remains bright with many opportunities for growth and continued innovation. The past 2 years have taught insurers how resilient and resourceful they truly are. The industry will leverage that knowledge as they go forward into 2022, ensuring that customer centricity and transparency remains top of focus and that new technologies are balanced with human connection and empathy. Insurers will build policyholder trust. And increasing utilization of strong ecosystems will allow insurers to drive even greater customer value..

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● About One Inc

Ranked as 'Best-in-Class' by Aite-Novarica for its digital platform capabilities, vendor stability and client service strength, One Inc is modernizing the insurance industry through a unified and frictionless payment experience. We deliver a full-stack inbound-outbound payment solution that includes expansive payment methods, premium reimbursement capabilities, and rapid digital claim payments, even for the most complex insurance use cases. Our reimagined inbound payment platform, PremiumPay® 2.0, features a low-code/no-code user interface that provides insurers unparalleled speed, usability and customization. Our omnichannel digital communication capabilities allow insurers to proactively engage policyholders on the channels they prefer. And our fully hosted, scalable, and PCI compliant platform reduces risk and increases data security and safely stores tokenized data.

Changes in consumer behavior toward digital demand will persist and grow. Future-focused insurers have eliminated paper-based workflows and paper checks, investing in more robust digital payment platforms that drive a superior experience for their customers, vendors and other third parties. At One Inc, we help insurers transform their operations by reducing costs, increasing security, and optimizing customer experience because we focus solely on the insurance industry.

One Inc provides carriers with the ability to give their customers what they want and expect: control, convenience, consistency, and continuity. That's the strength derived from the **Power of One™** – a cohesive and seamless experience for both inbound and outbound digital payments.

To discuss your digital payment needs, please call **(822) 209-1688** or email inquiries@OneInc.com



Endnotes

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CONTACT:

(833) 209-1688
inquiries@OneInc.com