

TRENDS IN PROPERTY & CASUALTY INSURANCE

APRIL 2018 TECH BRIEF FOR FINANCIAL SERVICES TALENT NETWORK



InsurTech moves Risk Management to Platforms

Need an example of InsureTech selling insurance on a platform? Travel insurance. When you buy an airline ticket, you are offered the opportunity to insure your trip against (say) a volcano erupting in Iceland stopping all air traffic to Europe, or delayed flights requiring an overnight stay.

Property insurance is nearly in a platform already because you are required to purchase it when you take out a mortgage. This is the same for car insurance. Renter's insurance is underused, partly because there is no requirement to obtain it. That lack of exposure could change due both to technology and to a trend toward consolidation of construction and property management.

Furthermore, obtaining various insurance policies is standard in the US and Europe. In other parts of the world, affluence is rising and the need for risk management, i.e. insurance is rising too. InsurTech startups have taken notice.

Labor Force Takeaway

Changes in the insurance market are moving fast – expect less than 2 years. The Property and Casualty (P&C) sector is trending to be more complex and more fragmented. Even as online (especially mobile phone) applications are chipping away at the edges of P&C lines, there is an upward trending the need for sales reps with up-to-date knowledge of the differences in coverage and in customer service reps for crisis support. Training and upskilling opportunities for financial advisors also abound.

Furthermore, the startup space is dominated by applications for writing insurance. Fewer applications are focused on claims processing. Given new market entrants plus expansion of the P&C insurance market, and the increasing severity of weather events, *more* employees will be needed to assess, estimate and process claims. Risk management services will need a workforce with up-to-date education.

Trends in P&C different than other lines

Property and casualty insurance (P&C) currently has competition – no question. [New Jersey Manufacturers](#) (NJM) and [Amica](#) are well known for culling the lowest risk homeowners in our state. They are also known for serving their policy holders well. They offer replacement value policies rather than the lower-end depreciated value, called Actual Cash Value (ACV) policies. Meaning that if winds cause trees to take down your house, you can afford to rebuild the equivalent, as opposed to just receiving the cash value for the tired, worn home in which you were actually living.

Today's competition between [homogeneous offerings](#) is tame compared with the competition being unleashed by (1) [insurance moving to platforms](#) and (2) surveillance services beginning to offer coverage for robbery and other observable perils. [Nest currently partners](#) with select insurance companies to offer a discount.

Surveillance has long been used for builders' risk, but now it's available through smart home systems with iconic artificial intelligence (AI) assistants – [Alexa](#), [Siri](#), [Assistant](#) and [Cortana](#). Note that [Amazon just purchased](#) the InsureTech startup, [Ring](#), in March 2018. Incumbents will not be able to count on bundling-discounts forever, since urbanization and the gig-economy are changing how people live, work and drive.

When a claim is submitted, high-end companies have a “when in doubt, pay it out” approach. Large companies have contractors on retainer who will rebuild your home for the amount the policy pays out. How this might change for the claimant when [inspection drones](#), mobile data capture, advanced [fraud detection software](#) and machine learning are incorporated remains to be seen.

The opportunities to trade privacy for (potentially) better insurance rates is only going to increase.

Automotive insurance, always an ACV policy, is similar. Geico and other companies have developed online portals and a wide network of repair shops however, [disrupters are entering the market](#). [Metromile](#) provides pay-per-mile insurance based on factors including age, vehicle, and driver history. In NJ, it doesn't charge for miles driven above 150/day. [Root Insurance's](#) mobile app (not yet available in NJ) tests your driving habits for three weeks noting mileage, hard braking, dangerous routes, driving regularity and time of day before offering to insure “good drivers.”

What if you only participate in a [car sharing program](#)? Do you need auto insurance? Would that be bundled into the service or tailored to one's personal driving record? [Those questions](#) are currently being sorted out.

Renters' insurance is trending from a sleepy hard-sell to a topic discussed on primetime news channels as named-storms ruin the belongings of tens of thousands of renters. Cue the Red Cross in the short term, but in the long term it becomes a set of problems that municipal/state/federal agencies are forced to mediate. One current platform for renters' insurance is the self-storage rental agreement. When the manager of a storage unit like [CubeSmart](#) or [ExtraSpace](#) hands you an agreement to sign, the consumer is asked to [purchase insurance](#) for their possessions. If they waive the monthly fee, they will receive no compensation when some wanderer decides to break into a unit, or when a hurricane rips off the roof. When corporations build and manage apartment complexes, they have the opportunity to offer the same thing. The policy underwriter(s) will know about the building security and verify that it was built to code. How will that overlap with Echo or Homepod? We will *all* have to monitor the industry to find out.