# Insurance 2030: ‘No regrets’ moves for personal lines P&C

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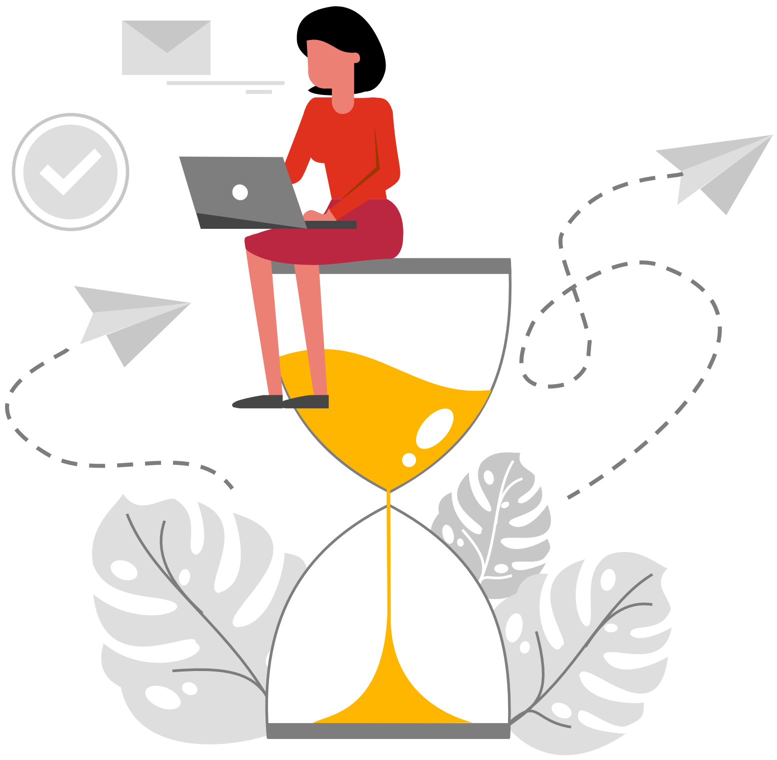
Personal lines P&C is a high volume, low margin sector. The mandatory nature of coverage means that most customers’ main buying consideration is price. This has resulted in commodification, to which most carriers — particularly in auto — have responded by investing in automation, data and other efficiencies to keep their expenses and customer prices as low as possible.

# What stakeholders are saying

| Customers: | Agencies/producers: | Retail partners: | Insurtechs: | Employees: |
|---|---|---|---|---|
| Tell me what I’m getting for the premiums I pay and how I can avoid claims. And if something does happen, make it easy for me to navigate the claims process. | Share data and insights to make it easier for me to evaluate the risks you’ll write. Integrate with my systems and automate/digitize simple transactions so I can focus on sales and customer engagement. | Give us easy-to-sell insurance solutions that complement our products and services so we can embed new revenue streams that meet customer needs. | Create flexible technology architecture that allows us to solve problems together. Invest with us to push the industry forward. | Help me develop skills that keep me professionally relevant. Be a force for good in society. |

# Personal lines P&C carrier challenges

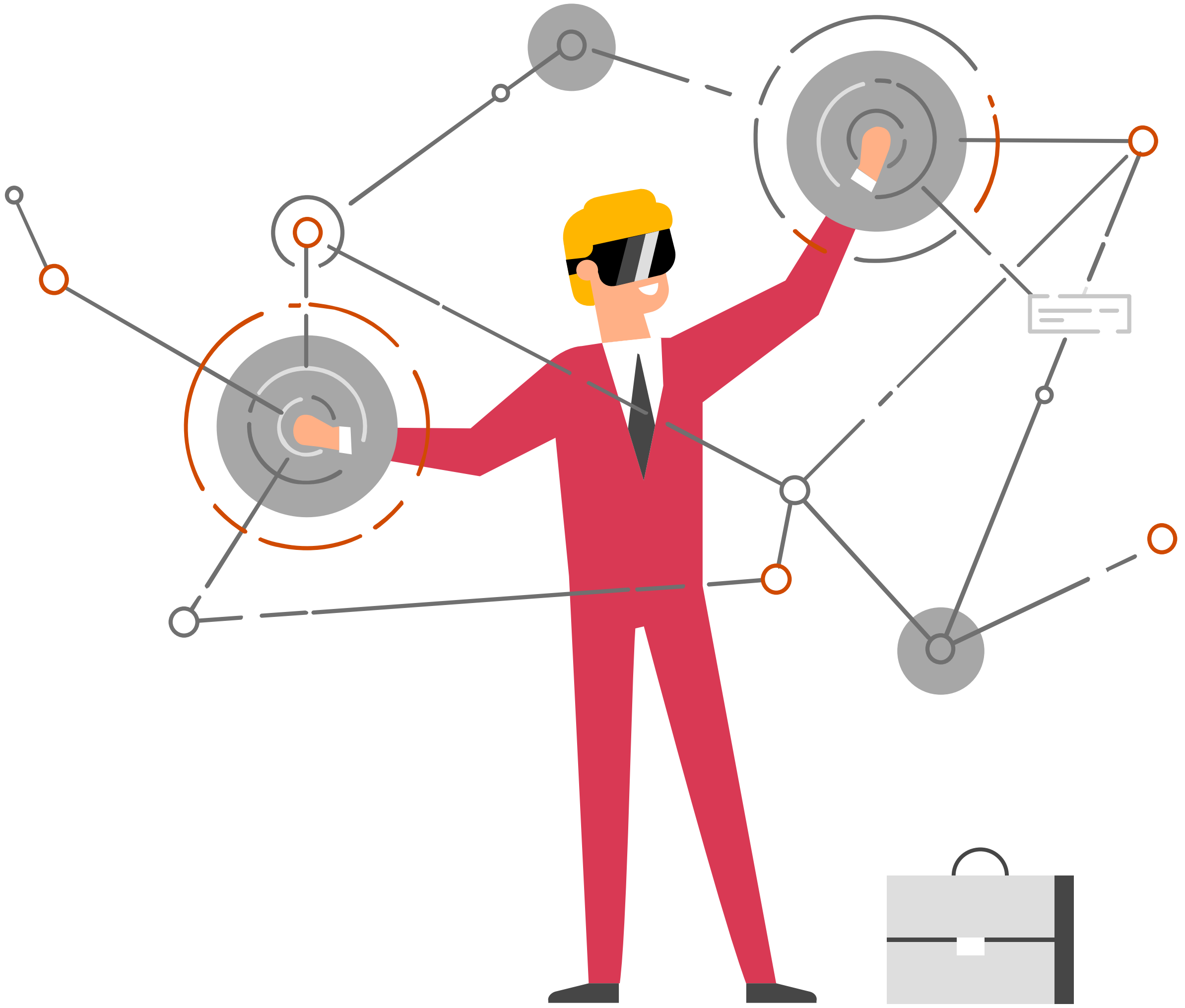
- Costly, labor-intensive claims processes that alienate customers
- Disjointed distribution
- Products that don’t meet customer needs
- Climate-related threats
- Responsible use of analytics and automation



# ‘No regrets’ moves

While some carriers have experimented with innovative coverages (e.g., drive by mile) we expect that most personal lines P&C carriers will opt to change pragmatically as we look to 2030. For example, many home insurers are emulating their auto counterparts by focusing on digitization, automation and a focus on efficiency, while still offering value-added advice and the assurance that customers want when insuring their home. Some companies are pursuing a more customer-focused and even transformative path, but this requires moving beyond digitization and automation to analytics-assisted personalization of existing products and coverages in an integrated ecosystem.

That said, whether you’re content to incrementally enhance efficiencies or want to launch a moon shot that reinvents your business, there are certain “no regrets” moves that can help you remain relevant in a highly competitive space.



# ‘No regrets’ moves

## Better claims outcomes

Many high frequency/low severity claims (e.g., windshield replacement, roadside assistance, food spoilage) are ripe for automation. The carriers already developing and deploying digital claims solutions are improving outcomes at scale, reducing handling costs and improving customer satisfaction via quicker resolution and lower prices. They’re also reducing loss severity by enabling adjusters to focus on the most complex claims, thereby shifting claims processing to more strategic and professionally rewarding portfolio-level claims management.

To achieve these goals, from an incremental to future-defining approach:

- Identify what’s both positively and negatively affecting claims efficiency, cost and customer experience.
- Invest in a technological foundation that automates the claims process and can rapidly integrate new capabilities. This includes developing more advanced analytics and automation to facilitate more effective decision-making.
- Develop claims features that increase sales and revenue, such as customer-first offerings like concierge support and access to preferred networks for claims resolution that are available in addition to traditional premium at the point of claim.
- Partner as needed to quickly build specialized capabilities.
- Enhance Internet of Things (IoT) capabilities to immediately detect and address claims, with the ultimate goal of preventing claims events before they happen.
- Provide employees opportunities to develop new skills that drive competitive advantage — for example, by making learning and application of new tech/digital/analytics skills a mandatory part of claims portfolio managers and product owners’ career development.

# ‘No regrets’ moves

## Integrated distribution

With digital direct-to-consumer options, increasing broker discretion over the products they sell and carriers with which they work, as well as emerging channels such as embedded coverages, a distribution strategy that reaches customers based on how they research and shop for protection is vital to customer and partner satisfaction and carrier success.

Carriers need sophisticated distribution capabilities that include application programming interfaces (APIs), data-sharing and seamless quoting to lower the cost of acquisition for themselves and their partners. These capabilities also facilitate access to customer segments regardless of how they buy insurance, as well as satisfy distribution partner demands that carriers’ digital capabilities are compatible with their operating models.

Factors for success with customers, to the point of basing your business directly on their needs, include:

- Know what motivates your customers and how they buy insurance. Use this insight (including with distribution partners) to reach them and effectively meet their coverage needs. For example, are you taking advantage of opportunities to supplement basic coverages or are you content with offering only the bare minimum?
- Forge and/or strengthen ecosystem and embedded relationships with distribution partners, including emerging types like auto manufacturers and dealerships, real estate companies and home developers, and affinity groups.
- Use your tech investments to streamline and automate interactions with partners to simplify interactions and lower costs.
- Including in partnership with others, double down on your strengths in risk assessment and as a capital provider to reimagine the types of products and services you can offer.

# ‘No regrets’ moves

## Innovative products

Some carriers use operational efficiencies and sophisticated pricing capabilities to provide the lowest cost coverages. Others are trying to grow by focusing on innovative coverages (e.g., pay as you drive) or simple products (e.g., product warranties). These carriers recognize that new revenue sources and market approaches are necessary for growth and staving off commodification. Accordingly, they’re reevaluating their product mixes in an attempt to increase diversification across customer segments, geographic markets and distribution channels.

Meeting customer needs and finding new growth areas depends on:

- Identifying and integrating new data attributes in underwriting and pricing and using new data sources to improve the customer experience.
- Working with partners to share customer/asset information to streamline the purchase, service and claims experience.
- Combining ideation, market-testing and automation in an innovative end-to-end product development and management process that quickly responds to changing customer coverage needs and expectations of the companies that serve them.
- Creating new offerings that broaden their value proposition beyond insurance protection, increase customer engagement and loyalty and (independently or with partners) generate non-risk-based revenue streams (e.g., affinity/loyalty referral programs and discounts, analytics as a service)..
- Determining how their offerings could improve vehicle safety, prevent home damage, promote financial wellness and address climate change.

# ‘No regrets’ moves

## Climate-related solutions

The increasing frequency and severity of climate-related events are challenging carriers’ ability to remain in certain geographic markets and leaving consumers fewer options for affordable and effective coverage. However, personal lines carriers have genuine opportunities to innovate and create solutions to protect policyholders, manage climate risk and enable the transition to a regenerative economy. For example, forward-looking carriers are working with stakeholders to facilitate compliance with energy-efficient building codes and determine how construction methods need to change. They’re also incentivizing use of environmentally sustainable technologies (e.g., by developing long-term warranties on solar panels). Some are integrating sensors into home coverages to help policyholders minimize weather-related claims or avoid them altogether.

Remaining relevant as a P&C personal lines insurer requires taking action today to define the physical realities of the future:

- Assessing the current and long-term appropriateness of existing risk management and mitigation strategies in the context of climate change and protection needs.
- Analyzing and projecting the future claims environment and pricing considering emerging climate risks.
- Incentivizing policyholders and society as a whole to reduce related exposures.
- Embracing risk and innovating coverage and risk mitigation solutions that maintain the personal lines P&C promise of protection.
- Because no single constituency can effectively go it alone on these very complex issues, working in partnership with industry peers, brokers, governments, non-governmental organizations (NGOs), policyholders and other stakeholders to address and resolve climate-related risks and their causes.

# ‘No regrets’ moves

## Responsible analytics and automation

Insurers have used advanced analytics for decades to predict, underwrite and price risk. They regularly experiment with new forms of analytics and automation, including proprietary, in-house and insurtech-developed point solutions. Because many analytics use cases depend on personal information and inform decisions that affect customers’ financial well-being, they are subject to increasing regulatory scrutiny.

Directly related, personal lines insurers have based their brands on the promise of stability and dependable protection. As personal lines insurance has become more streamlined, digitized and commoditized, trust and customer loyalty has waned. To build stakeholder trust, carriers need to ensure they have protocols in place to govern analytics-and automation-assisted operations and decisions and ensure model clarity and transparency.

Your use of analytics and automation will be effective, responsible and fit for the future if you:

- Build mechanisms that ensure compliance with standards and regulations that govern the use of predictive analytics and automation in operations and decision-making.
- Invest in consultative governance programs that engage business users early in use case development, and thereby promote responsible practices while facilitating innovation and speed to market.
- Establish customer-focused guidelines when designing analytics- and automation-supported features. This includes providing transparency on the information they use, mechanisms that enable customers to choose the information they’ll share, and insight into how accurate data can help lower prices, improve the customer experience and reduce bias and unintended consequences
- Make “responsible analytics and automation” part of the brand promise in order to build stakeholder trust..

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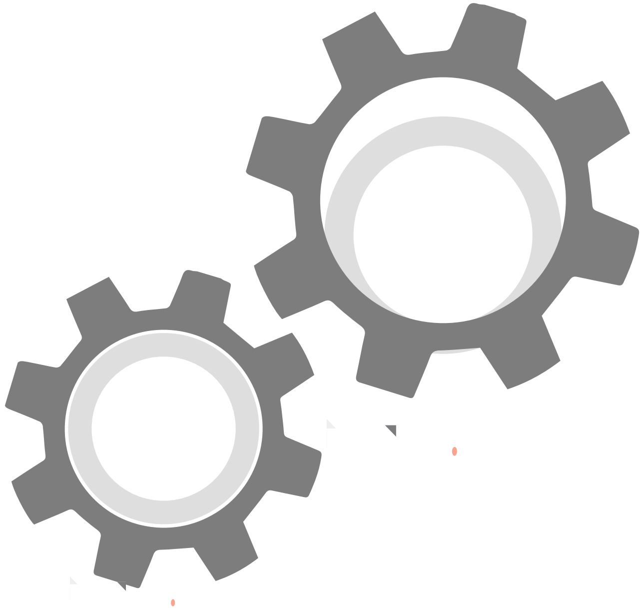

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