December 2018 Big Question: What is coming in 2019?

By Scott McGee | 19 December 2018

The biggest names in the industry give their predictions for what lies ahead in the next 12 months

Peter Blanc, group chief executive, Aston Lark

In 2019 the insurance market can expect to see the market taking action on dual pricing by adopting the joint principles proposed by BIBA and the ABI. Will it be enough to prevent regulatory intervention though, with all the unintended consequences that could result?

The market could also see another unrated insurer collapse - will professional brokers turn away from under capitalised insurers once and for all?

Brexit may or may not happen and there may or may not be dramatic consequences for U.K. brokers - watch this space.

Aston Lark will continue to make acquisitions and grow to become the UK's most trusted Chartered Insurance Broker - couldn't resist that one!

Lee Watts, head of technical claims, Allianz Insurance

From a claims perspective, the year ahead presents many challenges and opportunities in respect of legal reforms and regulation; we hope the outcomes of which bring a positive impact to both our customers and the industry.

Following the final legislative hurdle, implementation of The Civil Liability Bill and the regulations around it should help to tackle the compensation culture in whiplash claims whilst revisions to the discount rate will hopefully provide a fairer framework and create more certainty for seriously injured claimants.

We will likely see a continued increase in motor damage inflation as vehicles become more expensive and complex to repair coupled with increasing paint, parts and labour costs; likely to be further impacted by Brexit developments.

Theft of all types has continued to rise throughout this year along with the severity of collateral damage, 2019 will be no exception.

On a more optimistic note, we foresee a more simplified claims process due to advancements in AI technology, bringing stronger customer-centric benefits, and offering a faster service.

Craig Mullish, detective chief inspector, IFED

IFED continues to achieve impressive results, and this year to date have convicted 42 offenders, and confiscated £373,000 of criminal's assets.

Our role is to make insurance fraud a hostile environment, and the insurance industry can expect to see IFED's continued commitment to disrupting both organised crime groups, and opportunistic fraudsters targeting the industry. In the main, our resource will be focused upon the current threat assessment published by the Association of British Insurers (ABI).

The key reason for criminals undertaking fraud is for financial gain, and greed. IFED will therefore maximise the use of The Proceeds of Crime Act, and the recently introduced Criminal Finance Act legislation to maximise the confiscation of criminal assets and ill-gotten gains.

In addition, a key role of IFED is to prevent crime and protect victims from being targeted, such as being sold worthless fraudulent insurance policies. IFED will continue to seek our vulnerable communities in this regard, and provide them with the relevant knowledge and tools to protect themselves by undertaking media campaigns.

Paul Tasker, managing director, REG UK

In the last 2 years there has been approximately 180+ consultation papers and new policies issued by the FCA and going into 2019 this focus on regulation will not abate.

Regulation is here to stay and RegTech solutions are a logical generator of efficiencies and cost savings for regulated firms.

One of the key factors driving the increased adoption of RegTech is the need to reduce the additional workloads firms incur to achieve compliance. The insurance market will continue to embrace software as a service solutions to optimise efficiencies in governance and regulatory risk management and achieve better oversight of their regulated partners.

Oliwia Berdak, principle analyst, Forrester

Augmented reality, blockchain, cloud, Internet of Things – there are plenty of technologies that UK insurers are exploring as part of their digital transformation and innovation efforts. But amongst all of these, pragmatic AI has the biggestpotential to deliver on insurers' top business priorities in 2019:

improving customer experience and growing revenue.

Companies have grand aspirations for AI to help them leapfrog competition. But many insurers will continue to be disappointed with what AI can do today. Enterprise AI is still in its formative stages. However, insurers can — and do — use pragmatic AI to augment human intelligence, automate decisions and processes, and personalize customer and employee experiences. In 2019, we will see insurers focus their AI efforts on core business processes – real-time underwriting based on new data sources, automation of simple claims, and more accurate fraud detection.

Focusing insurers' innovation efforts and budgets will matter even more as Brexit uncertainty, the impending economic slowdown, and margin pressure in car insurance will spark budget cuts at many insurance firms in 2019. As budget cutsstart to bite, senior executives will tire of innovation with no ROI. So we will see fewer digital vanity projects, random startup investments, and buzz words like omnichannel experience, and more focus on operational efficiency.

Paul Kent, chief information officer, Sequel

In 2019, cloud computing will be a top priority for insurers, driven by the need for better connectivity to brokers, customers and fintechs - as well as agile working. Cloud also enables insurers and brokers to connect multiple technologies through one single architecture.

We will see a greater shift towards 'platforms as a service' as insurers seek to add new and emerging technologies into their existing workflows. By taking this approach, insurers can reduce upfront technology investment.

There will be a continued emphasis on enabling data and analytics to be utilised more effectively throughout the placing process as insurers look to facilitate better decision-making. Brokers will be able to access real-time insights enabling them to accurately undertake individual risk assessments.

Becky Downing, chief executive, buzzvault

We can be fairly certain there will be more disruption and more threat to those have failed to keep pace with customer needs in a changing society and environment.

New data driven propositions will provide consumers with hyper personalised insurance protection for their stuff, in the way they want it. That means control at the tips of their fingers via app based solutions and much greater transparency over what is and what isn’t covered. This will help cut opportunistic fraud, reduce operational costs and support competitive pricing.

In addition, a new generation of insurtech products will work in partnership with customers to help them understand and manage down their own risks.Linked into these data driven solutions will be increasing use of the blockchain in a range of applications. In short, insurance will get a whole lot smarter as many of the upstart insurtech start-ups in this sector leverage data and technology to make their visions a reality.

Peter Gregory, head of marketing and communications, SSP

From a software and solutions perspective, I think we will see the march towards digitalisation continue to pick up pace.

With so many external issues impacting the way an insurer or broker does business, they will simply have to adopt digital models.

As consumers now expect instant gratification, the insurance industry has to keep pace, allowing seamless 24/7 trading via any channel, incorporating volumes of relevant data.

Whilst I think technology is enabling this, I'm less confident that the ages old annually renewable contract, that still forms the basis of what we do, facilitates this.

On demand and always on, are things now in our common vernacular, but in the main, buying an insurance policy is an annual commitment for a set coverage.

Maybe not 2019, but very soon, we will see policy scalability and flexibility at the swipe of a phone and whilst technology is there to underpin it, the basics of insurance contracts need to adapt too.

Keith Binley, managing director, LexisNexis Risk Solutions, insurance, UK and Ireland

We believe continued pressure on pricing along with a drive to increase automation means the hunger for data enrichment will continue.

This will help insurance providers price more accurately, cut operational costs and enhance the customer journey. This will be supported by the emergence of new data sources and greater industry collaboration to understand risk.

There will be significant advances in how the sector prices for SME insurance based on a much more holistic view of the customer at point of quote.

And with new evidence of the direct impact telematics insurance has on loss costs we anticipate there will be moves by the sector to meet consumer appetite for UBI with new products that will support wider adoption amongst motorists outside of the young driver market.

Damian Cleary, partner and head of London market, BLM

I believe two welcome trends in 2019 will be; reduced capacity and therefore moderate rate increases in certain classes of business, and more positive innovation and tangible benefits from InsurTechs.

The drive to diversify underwriting portfolios has decelerated with the realisation that diversification into “challenging” classes of business for diversification’s sake may not produce immediate profits.

Lloyd's has acted by reducing capacity at some syndicates, and with demand at least remaining the same, rates have the potential to go up.

With Japanese renewals historically in April, and after very significant Nat Cat losses in Japan this year, 2019 could see the advent of an upward and welcome shift.

The rate of progress in technology and innovation offered by InsurTech is staggering; insurers who fail to embrace it face being left behind.

I expect 2019 will see a groundswell of support for InsurTech, with wider and greater utilisation, generating more employment in the industry, not less.

Ben Potts, managing director UK, Novidea

Technology, such as mobile and portals, is making it easier for insurers and brokers to interact with their customers, so why is buying a policy still so difficult? Customers are often asked to fill out too much information and, for those with multiple policies, are often asked the same questions over and over again.

We hold huge amounts of data on our customers. By using external data and telemetry we can enrich this data further, but also reduce the questions that we need to ask them, shortening the lengthy quotation process and in turn, providing a much better customer experience. For instance for a customer with commercial and liability risks what is the minimum additional data we need in order to write a cyber policy for them?

By capturing and consolidating data once, and enriching it with external sources, technology can help to streamline the whole process. 2019 will be the year that insurers ask less and deliver more to their customers.

Lauren Young, assistant underwriter, Ensurance UK

2018 - a challenging year for the Construction and Engineering insurance sector. Significant headline events hit the sector such as the fire at Glasgow School of Art, the compulsory liquidation of Carillion in January 2018 and the Ituango hydropower loss in Columbia, currently reserved at a staggering 1.2bn USD according to market publications.

A number of Lloyds' syndicates and insures have decided to exit the sector due to poor performance and the closure of some Construction and Engineering books of business is very regrettable for the affected underwriting teams who have been trying hard to produce a profitable book of business in an extremely competitive market.

However, these events may be market-changing

and Swiss Re reports that many brokers and underwriters around the world are starting to see signs of hardening in the Construction and Engineering insurance market.

Going into 2019, it is a certainty that Construction and Engineering exposures require specialist capacity with experienced underwriters to deliver long-term profitability as well as being able to underwrite risks to best protect the underlying construction industry and society.

Donna Scully, director, Carpenters Group

Focussing on motor insurance claims, I think that the government will come under increasing pressure from insurer stakeholders to come forward with proposals on tightening up regulations around credit hire claims, repair and total loss and rehabilitation, as they all fall outside of the current plans for the new LiP Portal and FCA regulatory regime.

We're on course to end up in a right mess with all sorts of inflated costs, dubious commissions and 'legal advisor' cowboys. The industry is belatedly wising up to this but needs to act fast to prevent the new system being widely exploited.

Stewart Steel, chief executive, Sedgwick UK

I certainly expect to see further consolidation across the entire sector in 2019. This is likely to encompass Brokers, Carriers and Suppliers, though far be it from me to hazard a guess as to which organisations will be affected.

We shall also witness the ever increasing impact of digital developments and innovation across the industry. This will have differing consequences for individual market operators; some positive and

others negative. Smaller insurers writing volume business may take the decision to exit the space, becoming simply unable to keep abreast of the very latest and inevitably expensive digital advancements that will allow bigger firms to continue to take cost out of their operating models. Others may look to outsource greater parts of their business operations – notably claims handling – to firms who have the strength and depth of technical expertise and technological resource to ensure their clients' brands and bottom lines remain attractive and profitable.

If, come 2019, there remains continued uncertainty over Brexit, pan-European and global players will likely continue to adopt a "worst case scenario" strategy. This could irrevocably prejudice relationships for suppliers and other organisations whose footprint of owned operational activity is restricted to the UK only.

Tony Sault, UK general insurance leader, EY

Low interest rates, intense competition and more subdued economic activity due to Brexit will continue to affect non-life insurers next year.

For Motor, which accounts for around one third of UK premiums, we predict will record a net combined ratio of 99.8% in 2018 and 102.8% in 2019 as premium reductions this year kick in and claims inflation continues to rise.

However, a number of reforms like the Ogden rate and the Civil Liability Bill are set to benefit the sector in the medium-term.

In the Household market, we foresee another tough year with continued downward pressure on rates as rates on new business will increase but average written premiums continue to decline and we predict a net combined ratio of 101.4% in 2019.

Aside from the preparing for the impact of Brexit, the industry will also be focused on regulation in respect of the recent Thematic review on pricing, “Dear CEO” letter and the CMA super complaint.

Continued margin pressure is likely to lead to further consolidation in the insurance and intermediary market, and there will be further significant investments by carriers and brokers in Insurtech players.

Given the challenging outlook, it’s vital that insurers look to see how they can put themselves in the best position possible – by differentiating their propositions and using the latest tech innovations to help drive down costs and improve their customer offerings.

Stephen Worrall, managing director, HSB Engineering Insurance

2019 in three words: innovation, automation and consolidation.

The commercial insurance industry can expect to see exciting changes driven by technology and customer expectations.

As demand by businesses for a more flexible approach to insurance increases, we will see insurers developing usage-based commercial insurance products, allowing customers to select cover as and when they need it.

Insurtech and data analytics will drive predictive risk management, and more insurers will be looking to technology and data to add more value to the insurance offering.

Undoubtedly the industry will also be focused on operational efficiency and the use of technology to deliver a differentiated customer experience. Finally we can expect to see even more consolidation activity in 2019.

The increased mergers and acquisition activity in 2018 will continue with brokers, MGAs and insurers all vying to increase portfolios and market share.

James Dalton, director of general insurance policy, Association of British Insurers (ABI)

A focus on improving the sector's reputation. From the treatment of long standing and vulnerable customers, to insurers' use of data, the industry must continue to respond positively to the sustained and intense scrutiny of its treatment of customers.

We have seen how industry initiatives can help through the Guiding Principles and Action Points, so we must continue to work together as an industry to address areas of ongoing reputational risk.

Making the reforms in the Civil Liability Bill a reality. We will be working with the Government Actuary's Department and the Ministry of Justice in their review of the Discount Rate, and with the MoJ to support the delivery of the Bill's underpinning regulations.

Working wherever we can with our members to ensure an industry fit for the future. Insurtech, autonomous vehicles, and cyber insurance, for example all offer challenges, but also many opportunities for the sector.

The ABI will continue to be at the forefront of the debate around how the industry must adapt to meet the changing needs of its customers in our rapidly changing digital world.

Lara Korz, chief data officer, Azur

2019 will be the year in which the insurance sector finally bites the bullet and realises it has to modernise its core systems.

The amount of money being spent maintaining legacy platforms is simply unsustainable, and there is no chance of delivering a 21st century user experience without making a significant investment.

Emily Cameron, underwriting manager, Compass

2018 has certainly been a year of change for the industry and uncertainty; GDPR, IPID's, Brexit and the Lloyd's Performance Review to name a few! For 2019 we are looking forward to a hopefully, calmer outlook as these things start to settle.

One thing we do expect to see is the beginning of the end to mental health stigma in the insurance industry. Mental health issues are illnesses, and we strongly believe that it would be much fairer to the customer if conditions such as depression were treated in the same way as conditions such as diabetes.

Of course, all conditions need to be properly assessed and analysed, but should an illness of the mind be automatically excluded because it is more difficult to underwrite?

We will continue to work closely with our partners on our product offerings as well as our fight to end the stigma around mental health and the bias that the insurance industry has against it.

This approach will certainly form the basis of our work over the next twelve months and I don't think we will the only market participants seeking to improve their offering in this regard.

Dr Matthew Connell, director of policy and public affairs, the Chartered Insurer's Institute (CII)

Everyone is talking about Brexit, but the truth is that the Brexit process will move slowly and uncomfortably towards a compromise that everyone can live with - there will be scares and brinkmanship along the way, and everyone will have uncomfortable adjustments to make, but in the end no one wants a trade war between the UK and the EU.

The one thing that consumers told us loud and clear in the research for our Trust Index is that they want to see insurers show more recognition for loyalty: they are fed up with the game of cat and mouse around renewal pricing.

The big feature of 2019 will be market-led solutions to rewarding loyalty developing alongside regulatory solutions. It's in everyone's interest to get behind good market solutions, because these have the potential to work faster than regulation and preserve a greater range of choice for consumers.