eBook: Future Trends

# Four Insurance Considerations to Stay Ahead in 2023

Emerging industry developments could present new challenges for insurers. Yet at the same time, they can serve as powerful opportunities for insurers who can respond to changing market conditions in the year ahead.

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# Emerging Industry Developments Present New Opportunities

The last few years have presented unprecedented challenges for insurers around the globe. The COVID-19 pandemic. Supply chain disruptions. High inflation rates and concerns about a potential recession. All of this has made it difficult for insurance carriers to conduct business as usual: to meet consumers' changing expectations, win and retain business and market share, and maximize overall profitability.

While many of these challenges are slowly fading away, insurers now face new trends, industry complications, and technology changes. In this eBook, we examine four of these new developments and show how they can present a real opportunity for insurance carriers who can quickly react and take advantage of all they have to offer.



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# Insurers will Continue to Invest in Product Personalization

It's no secret that consumers want more personalized experiences from the insurance carriers they do business with. This includes the concept of providing insurance offers based on their day-to-day behavior, such as usage-based insurance (UBI), but also giving them faster, better digital experiences in the channel they prefer. They expect this type of service from virtually every other vendor they do business with and may take their business to other insurers who can provide truly personalized experiences.

While insurers realize they need to embrace product personalization, the fact is that many still aren't fully prepared to deliver personalized product offers or customized add-on bundles. Not surprisingly, this means the entire industry will continue to invest in technology that can help them bring their personalization strategies to life. And many insurers will make this investment their #1 priority.

In research Earnix conducted with the Market Strategy Group, we found that **45%** of insurers say they will accelerate their investments in product personalization in the next two years. This was the top answer cited, even more than "usage-based insurance" (40%), "immersive technologies" (35%), and even "vehicle telematics" (33%).



**45%** of insurers report that they plan to accelerate investments in product personalization in the next two years – the top priority.

**Market Research Group**
Research conducted on behalf of Earnix

Additionally, **39%** of respondents said that “meeting customer expectations for personalization” was one of the top industry trends that were most relevant as they considered new insurance technology in the next two years.

These findings are evidence that insurers realize they may not have the right technology in place *yet*, but will continue to adopt the right services, solutions, and approaches to provide more personalized experiences. Insurance carriers who can quickly make the shift may be able to take market share from those who continue to delay.

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# New and Emerging Use Cases for Artificial Intelligence and Machine Learning

Artificial intelligence (AI) and machine learning (ML) have already proven to be an extremely effective way to help insurers mine vast amounts of data to improve daily operations and achieve better business results. For example, AI and ML workloads now help insurers improve their ability to calculate risk, reduce human errors, and detect fraud.

Yet even more AI and ML use cases will emerge in the years ahead, giving insurers even more options as well as more innovative ways to engage customers and enhance internal processes. Research from Earnix and the Market Strategy Group shows that insurers are already envisioning new AI and ML capabilities.

When asked, “What additional use cases do you expect to emerge in the next two years within the insurance industry?” survey respondents cited “recommending products to customers” (33%), “claims prioritization” (32%), and customer segmentation (30%).

40%

AI and ML will increase productivity in insurance processes and reduce operational expenses by up to 40% by 2030.

McKinsey & Company | "Time for Insurance Companies to Face Digital Reality"

Other examples of these new uses cases will include:

- ✓ Marketing and lead management
- ✓ Claims cost predictions
- ✓ Customer service automation
- ✓ Fraud detection and prevention
- ✓ Risk management
- ✓ Claims processing
- ✓ Automated underwriting
- ✓ 360-degree view of customers

In the future, AI and ML capabilities will play a larger role in virtually all insurance operations, removing or even eliminating the need for human involvement to save time, reduce costs, and maximize profitability.



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# Increased Use of Telematics

Telematics have already delivered positive change in the automotive insurance industry. For example, insurers use data collected by telematic devices to offer more personalized insurance such as UBI that factors their mileage driven and actual driving behaviors to potentially lower drivers' premiums.

Pricing premiums based on telematics data are already leading to safer driving scores and better results. In some cases, telematics have contributed to:

**45%** fewer vehicle accidents

**75%** reduction in speeding events

**90%** improvement in seat belt usage

**80%** reduction in aggressive driving[1]

Today, telematics-based insurance policies represent only about **2-3%** of all motor insurance policies–clearly just a fraction of the market.[2] Yet the global telematics market is about to take off: It is currently valued at $64.2 billion, but is expected to grow at a **15.8%** compound annual growth rate to reach a total value of $154.8 billion by 2028.[3]

[1]Mordor Intelligence, "Telematics Market-Growth, Trends, COVID-19 Impact, and Forecasts (2023-2028)."

[2]InsurTech Digital, "The Future of Telematics in an Automated World," July 8, 2021."

[3]Vantage Market Research, "Vehicle Telematics Market Size & Share to Surpass $154.8 Billion by 2028," December 14, 2022."

This growth will be fueled by industry changes such as the rollout of 5G networks, new vehicle technology, and AI and IoT developments. Technology vendors will continue to provide new advancements such as real-time engine diagnostics, roadside assistance crash detection, driver behavior evaluation, GPS tracking, fatigue alerts, and many other use cases to calculate risk more accurately and give consumers the insurance experience they're looking for.



# $154.8B

The global telematics market is expected to grow at a 15.8% compound annual growth rate to reach a total value of 154.8 billion by 2028.

VANTAGE Market Research

"Vehicle Telematics Market Size and Share to Surpass $154.8 Billion by 2028"

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# Higher Volumes of IoT and Sensor Data will Impact Key Insurance Processes

Data collected from sensors and IoT devices will continue to help insurers generate new revenue while increasing efficiencies to reduce costs. Not only will the volume of data continue to grow, but new IoT-based ecosystems will emerge to give insurers attractive new ways to improve processes and achieve better results in virtually all facets of the business.

The advantage lies in the fact that more data will inevitably lead to more accurate insurance models. In the past, insurers had to use their own experiences and predictions, analytics, and even information reported by customers. Yet IoT data now enables insurers to make highly accurate, customized risk assessments and can also dramatically improve critical processes, such as claims administration.

For example, today, many consumers are already filing claims using digital pictures and mobile apps. Yet additional use cases will emerge to make better use of even more IoT and sensor data. Consider the case of connected-car sensors that can send a real-time notification to the insurance company as soon as the driver has an accident. This initial report may include an impressive amount of data related to the driver's behavior and the car itself, including speed, braking, steering, road conditions, the role other vehicles played and specific collision information. These use cases are sure to become even more innovative – and impactful – in the near future.



30%

Using data-driven technology in claims management can minimize the time it takes to complete a filed claim, and can lead to a 30% reduction in processing costs.

McKinsey & Company | "Time for Insurance Companies to Face Digital Reality"

Not only does this information empower insurers to make proactive contact with their customers to express concern – critical in driving customer satisfaction and retention – but such data-driven claims management processes can minimize the time it takes to complete a filed claim. It even adds up to lower costs: According to McKinsey & Company, increased reliance on IoT data can help insurers reduce claims-processing costs by as much as **30%**.

Insurers clearly see the potential behind IoT and sensor data. In the same research conducted by Earnix and the Market Strategy Group, 43% of insurance companies believe that claims administration will be the single-most impacted business process by growing sensor data in the next two years. Another 28% of them reported that "the greater availability of real-time data (e.g., telematics, IoT data)" was the top development that would influence their adoption of new insurance operations technology.

# Proactively Planning for Future Change, Now

These new trends and industry developments have the potential to reshape the entire insurance industry. For some insurers, they may present significant challenges and cause traditional carriers to overhaul past approaches and accepted norms as they attempt to devise new strategies. For others, these developments may present valuable new opportunities, enabling nimble, innovative insurers to gain a competitive advantage over other vendors who may be a step behind.

Yet one thing is clear: These changes are inevitable, and in some cases, already happening now. Insurers who are willing to start now by quickly changing existing business models and adopting new technologies stand to gain a powerful first-mover advantage. Those who continue to delay the decision to transform their business do so at their own peril and may risk falling behind the competition.



# Learn How Earnix Can Help You React to a Changing Industry

**Reimagine insurance** →

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