

Top insurance industry issues in 2021



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Forces shaping insurance distribution



The three forces

Three forces are shaping insurance distribution: the **resilience of intermediaries**, **rising expectations** among commercial and individual buyers and the **elusiveness of building** scale in direct channels (Figure 1).

Yes, these were factors a few years ago too. In fact, carriers built roadmaps to adapt their strategies accordingly. But the COVID-19 pandemic upended those plans, along with many others, by compressing timelines. In a matter of weeks, consumers and businesses began to shun in-person meetings and rely much more heavily on digital tools for research and communication. Their perceptions of risk changed quickly, as did the kind of help they looked for when evaluating insurance products. And while some carriers were able to pivot, many continue to struggle and those multi-year roadmaps now look like wishful thinking.

Let's look at each of these three forces to see what's happening, why it matters now and what you can do to turn it to your advantage.

Figure 1: The forces shaping insurance distribution

The resilience of intermediaries	Across all sectors intermediaries, agents, brokers and advisors remain strong, demonstrating value to today's insurance buyers
Rising expectations among commercial and individual buyers	Customers of all sizes continue to want more from carriers and intermediaries: seamless service, how I want it, where I want it, when I want it
The elusiveness of building scale in direct channels	Digital natives do find on-line offerings appealing-but direct distribution platforms are struggling to achieve scale and fully compete on the main-stage. Brand building is tough.

Source: PwC analysis

Force 1: Intermediaries are resilient

Recently, a prominent broker confronted a major insurer with a challenge. “We’re going to be more strategic selecting the carriers we work with. We’ve been splitting our business across ten or more carriers, but now we’re going to start focusing on just a few. We’d like to work with you, but we’re going to need more aggressive pricing for our clients and a new commission structure—and we need you to tell us exactly what risk you want from our book.”

COVID-19 may have ramped up the pressure, but it has merely accelerated a phenomenon already in progress, exposing where value is created. Many insurance relationships have endured on a form of inertia, with family-run agencies and broker ties that go back decades. Those human connections are still vital—but sales activity has shifted toward finding real answers to real business problems.

As the pandemic limited some prospecting activity, many brokers have made their relationships stickier by providing objective advice around emerging risk management issues. They’ve been nimble in adapting to a digital-only environment, and they’ve helped clients whose overtaxed human resources departments have needed both advice and hands-on assistance.

For their part, most carriers have known that they will need to engage differently, and they have the five-to-seven-year product roadmaps to prove it. But suddenly, providers and producers are all being expected to offer more help at lower prices now, not in five to seven years. As the pandemic recedes, these expectations won’t.








Force 2: Customer expectations are rising

Changing customer expectations affect every type of insurance model. We're seeing traditional carrier-distribution demarcations breaking down. Companies joining forces to form ecosystems that evolve with each new partnership and/or acquisition. We're also seeing managing general agents (MGAs) wanting to take on risk themselves, morphing into full-stack insurers. Some MGAs are even assuming underwriting chores as well. Across the value chain, intermediaries are stepping out of traditional roles to address new market expectations (Figure 2).

What do these examples have in common? They're all responses to a perception that insurance should be easier. Brokers and agents derive their value from staying close to their customers. So, as expectations rise, producers are listening and they're quickly adding tools and establishing new relationships to support those expectations. This poses a challenge for carriers as intermediaries assume more risk and find other ways to strengthen their relationships. If they ignore these expectations, some traditional carriers may find that they have become little more than commodity providers, limiting the value they add and endangering their bottom lines.

Figure 2: Insurance intermediary roles continue to change

	GM is resuming its own auto insurance offering for vehicle buyers. [Note 1]
	For homeowners insurance, Hippo has acquired customers through relationships with Comcast and Lennar—a telecom company and homebuilder, respectively. [Note 2]
	Progressive insurance has teamed with Credit Karma, a personal finance company, on a usage-based insurance (UBI) product. [Note 3]
	Bestow, an online life insurer with a traditional MGA model, is now starting to write its own business and take on risk directly. [Note 4]
	InsurTech firms like Bold Penguin (which American Family Insurance is buying) help agents or brokers compete with direct sellers, letting them triage, quote and bind commercial policies. [Note 5]

Notes: [1] Lutz, Hannah. "Automakers in insurance game with tech tools; Data, connectivity open a new revenue stream," Automotive News, January 4, 2021, accessed on Factiva on February 3, 2021. [2] Hollmer, Mark. "With \$100M in New Financing, Digital Agency Hippo Plans Further U.S. Expansion," Insurance Journal, July 30, 2019, accessed on Factiva on February 3, 2021. [3] Golia, Nathan. "Progressive backs Credit Karma's UBI expansion," Digital Insurance Online, December 17, 2020, accessed on Factiva on February 3, 2021. [4] Trice, Calvin. "Startup insurance broker's carrier deal creates path for tech-enabled life sales," SNL Financial Extra, December 2, 2020, accessed on Factiva on February 3, 2021. [5] Simpson, Andrew G. "American Family Insurance to Acquire Small Business Insurtech Bold Penguin," Insurance Journal, January 14, 2021, accessed on Factiva on February 3, 2021.

Force 3: Achieving scale is elusive

A few years ago, it seemed that digital natives would bring their strong, insistent preferences for direct, online models to insurance. It is happening, but it's more complicated—and it varies considerably by sector. Carrier-side start-ups, in particular, often struggle with direct sales initiatives. Insurers are rightly concerned about channel conflict and alienating (or cannibalizing) existing customers. As a result, they often don't invest in or commit to innovative approaches at a scale that might let them succeed. Meanwhile, as the economy has reeled, some firms have diverted their attention. That's understandable. They've had plenty of other issues to think about, and the rate of change/adoption has been too slow for many impatient corporate ambitions.

Building a brand is tough. Standalone companies continue to grind it out, but they need success to fuel more success and longevity. Nonetheless, the argument in favor of direct models continues to be strong, and we believe there will be big winners in the space, with available capital to make it happen. Some carriers are still investing heavily in brand reinforcement on television and in social media. And there's new money eyeing the sector. Flush with capital, a growing number of private equity firms are showing interest in insurance acquisitions.

Shifts in behavior and buying patterns could be lumpy. That is, much as we saw with desktop video calling over the past year, sometimes the right product presents itself at the right moment, cued by changes in the broader environment. Conditions are ripe for the financial services version of a product “going viral,” tipping the scale and changing the pace of change. Under these circumstances, companies that opt out—or opt for “fast-follower status”—may not have time to position assets when the shifts start to occur more quickly. Digital products take on momentum of their own. We rarely hear about the fourth largest music streaming service or the fifth largest social network.



¹PwC, “Insurance deals insights: 2021 outlook,” December, 2020, <https://www.pwc.com/us/en/industries/insurance/library/quarterly-deals-insights.html>.

Spotting opportunities

Choose where to compete

We believe that insurers should be prepared to adjust their distribution models to effectively respond to a range of market trends, from the growth of direct sales to the morphing of what it means to be a broker. But it's unrealistic to cover all the possible permutations because each path requires a specific investment in sales enablement and, often, technology integration. A group insurer, for instance, could choose to pursue the direct channel or sales to "garage-based" start-ups. It might address the needs of sophisticated brokers, and it might build and support multiple integration paths at once with different benefits administration platforms. Few carriers, if any, will do all this well at once.

How to prioritize? Define what really differentiates your company and be very clear about the specific capabilities you need to succeed at to support that identity.

Spot the challenges, spot the opportunities

Many insurance companies are starting with sales operating models that no longer accurately align to their customers' needs. This was shifting even before the pandemic hit, but the disconnects are more obvious now. In some sectors, for example, carriers remain heavily oriented toward in-person meetings while brokers are begging for a more virtual work environment. So what does success look like? Often, insurance executives don't have adequate visibility into which clients to call on, how to make those calls, whether they have the right capacity, how productivity varies and how all these factors are changing as client behavior and needs evolve.

That's why the first step is often to create a baseline assessment of where they're winning and where they're lagging. In your assessment, you'll want to hold structured discussions with your distribution partners to understand their goals and positioning. In looking beyond size and traditional territories, some companies find that they have been mapping their most effective sales resources against clients that aren't likely to fulfill overall corporate goals.

Sales enablement isn't a one-time review. It has to be iterative because the market itself keeps changing. You'll want to create a process that continuously updates your assessment, collecting and assessing actionable metrics that go beyond revenue and client count. In particular, you should be able to quantify the value that you are bringing to your distribution partners.

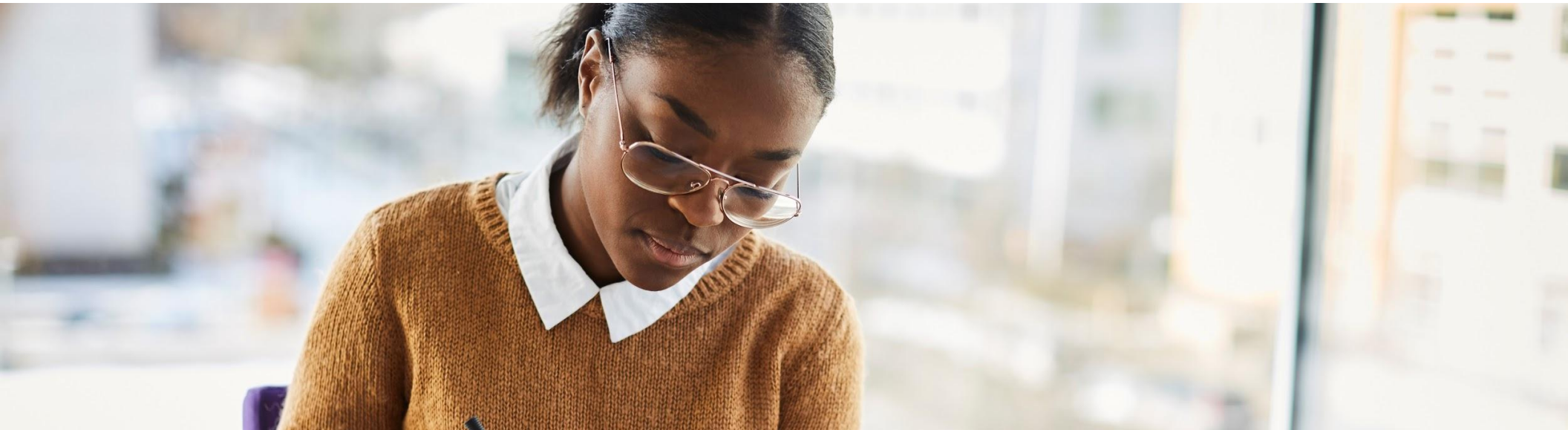
Innovative solutions

Invest in novel solutions

To create value, carriers must deliver solutions that clearly articulate value with client needs. Why is your price offering more value to any individual buyer? How can your disability coverage help get people back to work faster? And how will that better position your brokers or agents?

Solutions need to be unique because there are no standard customers anymore. Instead, we see a constantly changing flow of independent brokers, large brokers, benefit consulting firms, InsurTech companies and direct-to-consumer companies serving those customers in the new insurance ecosystem. Carriers need to be able to understand and provide a solution for each channel's needs. And carriers need to determine the attributes that end customers value most, and then deliver those features on the customers' preferred platform(s).

This is an issue of product design as well as marketing communication. Your distribution partners have to be able to understand and convey how your particular offerings will make them more successful in their sales efforts. As a result, you may need to think differently about your sales team, too.



The role of ecosystems

For insurance carriers, size has long been an advantage. To achieve scale and manage complex, diverse pools of risk amid ever-intensifying regulation, insurers have had to commit tremendous resources and focus. The industry often requires a long-term view—considering long-tail risks, policies that can last a lifetime, and the need to build and maintain historic knowledge and project results far into the future.

But now, insurance ecosystems are upending many of these long-held assumptions. By choosing their approach to ecosystems strategically, smaller carriers or regional players may be able to close the opportunity gap. Meanwhile, even a large balance sheet may not prevent the risk of commoditization for those carriers that fail to get off the sidelines. But, if large insurers can use their influence to design and deliver an even more comprehensive offering, they may help prevent buyers from shopping any further. Figure 1 provides more background on the rise of ecosystems.

Figure 1: Insurance ecosystems use interwoven relationships to fulfill customer needs

The term “ecosystem” refers to an interconnected system of offerings from a variety of participating providers, allowing customers to fulfill multiple needs through an integrated user experience.	Interconnected offerings	> Insurance addressing range of personal risks
	Variety of providers	> Might include multiple carriers, InsurTech companies, ancillary services
	Customers fulfill multiple needs	> Customer-centric approach gives buyer extensive choice
	Integrated user experience	> Consolidated interface, regardless of how many companies are in a bundled offering

For more background on insurance ecosystems, we recommend [“Ecosystems and partnerships: the future for insurers,”](#) a report prepared by our colleagues at PwC Netherlands.

Source: PwC Financial Services Institute

Historically, companies were fairly self contained. By contrast, ecosystems represent a much deeper set of interwoven relationships across a particular domain, with governance and technology that delivers value to customers and profits to partners. The new model begins with putting customers’ needs and desires first (see Figure 2). It seeks to create a desirable buying experience, including products and services that customers want. To succeed at this, companies will need to refocus externally in nearly every part of their organization.

Talent strategies

Invest in the 'digital' sales rep

Many insurance carriers still hire sales reps the way they did 20 years ago. But today's reps can't merely be good at building in-person relationships with strong networking skills. They're going to have to be savvy with digital marketing and communications tools. Building the agent of the future requires new ways of thinking around how you recruit employees and incentivize them, how you educate and train them, and ultimately how you arm them with the tools and technology to engage in data-driven conversations about your products and services and your customers' needs.

Recruiting and targeting for your workforce will require a deeper understanding of the potential employee pipeline. Which colleges and universities will you target for new hires and which pools of more seasoned agents will you target? Designing the right rules-based incentive program is no longer a one-size-fits-all exercise. It will require serious consideration about the balance of compensation, company culture and benefits, and sales versus service work.

Pulling all of this together will be sophisticated employee segmentation tools that help you understand and ultimately predict which recruits will be successful, what kind of training and education do they need, and what type of company environment is the best fit for them. In the most recent [PwC US Remote Work Survey](https://www.pwc.com/us/en/library/covid-19/us-remote-work-survey.html)², the youngest employees were the ones who wanted to work from home the least. Unlike their more experienced counterparts, they probably see more value in having office interactions earlier in their career.

The pandemic has accelerated many of the changes that were already in play such as a shift from traditional networking to more digital interactions through mobile communication, social media and online events. Being tech savvy is important and continued CRM investments will need to be made, but that's just a platform and a means. Your future sales rep also needs to be able to show value quickly to customers looking for data-driven insights on how your products will make their workforce more productive, manage risks and get their employees back to work more quickly.

²PwC, "US Remote Work Survey," January, 2021, <https://www.pwc.com/us/en/library/covid-19/us-remote-work-survey.html>.

The power of actionable data

Use data for better targeting

Deep analysis is crucial when sales reps, agents or brokers call on clients. Business owners don't have time for empty chatter, especially in the wake of the pandemic. Reps who visit a client with nothing more than a glossy brochure won't be invited back. They need to come to meetings armed with specific sales opportunities, including data to show how and where the opportunities exist and actionable ideas for how to pursue them.

Reps should be able to help brokers identify holes in the market to exploit. They should be prepared to walk into a meeting with specifics: "John, we know that bowling alleys in this area are growing again as families look for ways to hang out when the pandemic starts to wane. You should be selling them (product X). Here are the 10 bowling alleys that are actually waiting for you to call, and here's a way to call on them." Carriers need to arm their reps with data so they can be more knowledgeable about how to drive business, and about why their product offering will resonate with the broker's buyers.

As an example, one insurer had a program targeting high-net-worth prospects, and one of its enterprising brokers sought to pursue the same opportunity with mass affluent individuals. The carrier could identify the attributes that made this outreach program successful to replicate it around the country. Criteria like income are necessary but no longer sufficient; other data points (children, profession, lifestyle information) may also be correlated. Using external marketing data sets as well as the information it already has, a company might identify thousands of appealing targets—and then deliver those leads to brokers with guidance on how to modify the sales pitch. **This** is the conversation your brokers want to have. (The first step, of course, is using a baseline assessment to spot the outlier opportunity and identify it as a program worth replicating.)



Move fast, move now

For a while, changes affecting insurance distribution channels were visible on the horizon, but they seemed hazy. The COVID-19 pandemic has given many carriers' planning discussions much more urgency because complementary shifts have already happened. Agents and brokers aren't calling on clients the same way they once did— because they can't. That means agents and brokers need a different kind of support from carriers, and they can't wait years to get it.

You'll want to shore up where you are and address where you're going.

- **Focus on the basics.** Intermediaries aren't going anywhere. They're evolving, so you'll need to up your game in distribution management. That means investing in digital tools, aggregating data sources and incorporating behavioral economics — all that while adjusting products and operating models more quickly. Keep shaving time off quote-to-bind and improving field productivity. Be more fact-based in the support you give to producers. And be more data-driven in your sales-management discipline, in rationalizing field and territory management and in product and portfolio management. This applies broadly. You'll want to link appetite, underwriting and sales management processes so that you and your distributors all benefit.
- **Don't stop innovating.** Keeping focused on what's coming next should color what you do, even if it's someone else that's pushing the limits. The pace is unpredictable, but because the market has become so much more dynamic and agile, you can't afford not to participate. For many carriers, the winning, risk-adjusted strategy could be to focus more on corporate development and inorganic strategies, forming smart alliances and participating in ecosystem development.

The forces changing insurance distribution are actually encouraging for insurers. Producers and consumers all want carriers to succeed. The hard part isn't doing the work, it's recognizing that the real danger is inertia. If you don't realize how significant the industry shifts have already been, you may not be in position to move once the realignment is complete.

Contacts

Juneen Belknap-Kirk

Advisory Financial Wellness Leader
PwC US

juneen.belknap@pwc.com

Marie Carr

Global Growth Strategy, Financial Services
PwC US

marie.carr@pwc.com

Mark Rosenthal

Managing Director
PwC US

mark.rosenthal@pwc.com

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Ecosystems



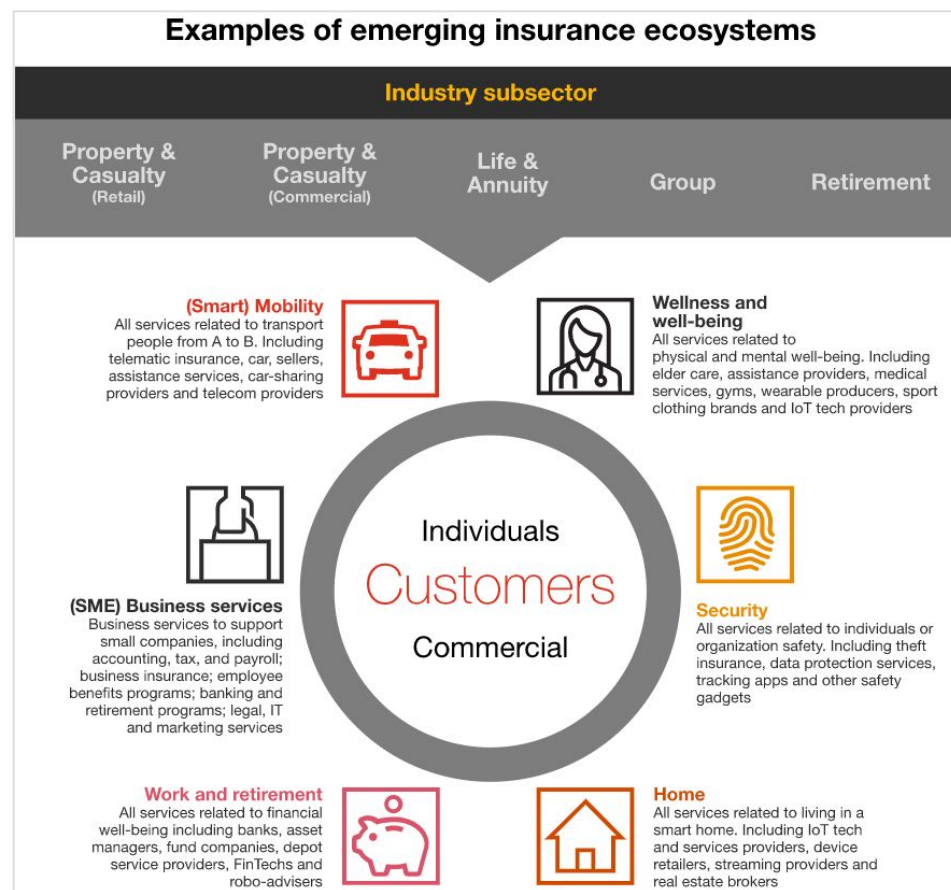
Why ecosystems have taken on new urgency for insurers

The pandemic has accelerated the ecosystem evolution.

We've all seen this coming. But during the pandemic, retail and commercial customers have rapidly learned to engage remotely, and they now expect 24/7 service and easy interactions in everything they do. Insurers' legacy limitations (siloe processes, lack of single customer view across units, limited external connectivity, etc.) now look increasingly out of step with post-COVID-19 buying behavior and distribution patterns. Rather than taking five to seven more years to execute on their digitization roadmaps, participating now in an interconnected supply and demand service model is starting to look better, faster and cheaper.

Enabling technology is affordable—and it works. Cloud-based technology and machine learning have helped InsurTech firms grow quickly without the weight of legacy systems. As we noted in a report on [InsurTech innovation](#), startups are helping carriers fill gaps—particularly as many insurers are modernizing their core systems to make external integration more practical. The same technologies are also supporting innovation from unexpected competitive sources, potentially offering services or components that are “good enough” at costs far below industry norms.

Many insurers have been watching the rise of ecosystems. As part of an as-yet-unpublished survey on the financial services industry in 2025, 79% of the insurance executives we asked agreed that “insurers will increasingly engage in ecosystems that serve broad needs of customers, where insurance is only part of the customer value chain.”¹ Clearly, they understand the implications could be dramatic, but they have been waiting to make a move. That time is here: the building blocks are all in place, and it's time to make some deliberate strategic choices about how to participate.



¹ PwC, unpublished report, FS 2025.

Strategic considerations

As businesses move to an ecosystem model, the strategic options multiply, and even similar organizations might make very different choices. Two mid-sized P&C carriers might choose different roles, investments and partnerships, depending on their risk appetite, organizational culture, technical capabilities and ability to invest.

Here are four things to keep in mind as you evaluate how to compete in the emerging world of insurance ecosystems:

- Choose your ecosystem role(s) strategically.
- Good opportunities won't last.
- Adjust your approach to match an ecosystem's maturity.
- Make deliberate choices with your ecosystem investments.

Choose your ecosystem role(s) strategically

You can become involved in an ecosystem in a variety of ways, with different levels of commitment and investment, but these will not all be equally useful to you. To describe these roles, we refer to owners, orchestrators, adaptive participants and opportunistic participants (see Figure 3). We call companies that go it alone “abstainers.” If you're heading down that path, be sure you understand the implications.

Your role(s) reflect how you'll relate to other participants and the degree of your commitment. This may be more complicated than it appears. As an owner, for example, you'll build and control the ecosystem, but at great cost and at the risk that other more nimble players could overtake you. An orchestrator creates a foundation, including technical platforms, and captures customer data, but it may be hard to curate the entire customer experience. Adaptive participants plug into one or several ecosystems. This is a lower-risk strategy, but it's more behind-the-scenes and could cause you to lose contact with end customers. Abstainers are entirely responsible for their own offering—and this could put them at a significant disadvantage if buyers find an ecosystem's holistic approach more appealing. They also may miss the opportunity to provide their capabilities as inputs into other participants' offerings.

Some insurers may take different roles in a number of systems at once, depending on resources and focus. But we largely expect ecosystems to evolve within a particular sector, with both industry and non-industry partners joining forces to develop markets that work for all.

Ecosystem roles

Figure 3: Insurance ecosystems use interwoven relationships to fulfill customer needs

Role	Description	Benefits	Risks	Scope
Owner	Invests in creating the foundation for an ecosystem, including sourcing participants.	Maintains control over end customer experience and data. Continued brand recognition and direct growth for business. Limit customer exposure to competing brands.	Large investment required to build in time, capital. More “open” competitors could outpace “closed” systems.	Very significant investment in time, investment, and corporate focus. Potentially transformational.
Orchestrator	Creates a foundation, with technical platform, integrations, management and incentives for participants.	Captures and owns customer data. Control over vendor participants.	Other participants may extract value. Difficult to monitor end-to-end customer experience.	Significant investment, with potential to strengthen sector position for the long term.
Adaptive participant	Evolves business model to effectively “plug into” various ecosystems.	Decreased investments in traditional customer acquisition methods. Organic market share growth through multiple ecosystem participation.	Might lose customer recognition and become dependent on the ecosystem as a primary revenue source.	Material cultural shift needed, support new investment, with access to new revenue streams.
Opportunistic participant	Seeks to engage where the existing business model allows.	Low investment to play. Opportunity to diversify revenue.	May be cannibalized by the ecosystem if you’re seen as replaceable. Loss of additional revenue from not pursuing larger roles.	Minimal commitment, but limited upside.
Abstainer	Stays on the sidelines.	No investment or strategy required. No need to adapt business model.	May lose market share, revenue to ecosystems. Could be increasingly isolated and commoditized.	No commitment.

Source: PwC Financial Services Institute

The importance of moving quickly

Good opportunities won't last

Unlike more internally focused insurers, companies that “get” ecosystems have learned to make agile buy-build-borrow decisions. When you're faced with potential tie-ups, you'll want to be able to decide quickly because the most appealing opportunities won't last. Ecosystems benefit from having a variety of partners. Whether you're the organizer or are providing products as an adaptive participant, look for tie-ups that add complementary and scalable products or services to drive more traffic into the ecosystem. Ideally, partners leverage each others' capabilities, and learn from each other to help the ecosystem grow.

Making quick deal decisions is more important than ever. In addition to organic growth through partnerships, you may also find inorganic growth opportunities, such as via an acquisition, that advance your ecosystem strategy, both directly and indirectly. [We expect 2021 to be a busy year for buyers and sellers](#), driven by divestitures of non-core businesses, continued competition for distribution targets, hardening specialty P&C markets and significant levels of deployable capital. Whether you're considering a potential partner or an acquisition target, your due diligence process should include intangibles. After all, your stakeholders should know what your brand promises: value, service, innovation, trust, stability, etc. If a potential partner or acquisition doesn't bolster that image, or its culture won't mesh with the ecosystem's, then you should be prepared to answer hard questions.

Finally, in the world of ecosystems, the big risk may be complacency—assuming that one can wait indefinitely to determine the best corporate development strategy. When certain ecosystem positions are taken, or when the InsurTech player that can fill a key need has been bought by a competitor, then you'll be out of luck.

Adjust your approach to match an ecosystem's maturity

Ecosystems vary considerably by maturity and focus. In one subsector, for example, you may see partners offering components—user calculators, apps to collect participant data, platforms that can integrate with third party information providers—but, for now, still have a somewhat fragmented experience for the end user. That doesn't mean you should wait for clarity; rather, it means you may have more of an opportunity to shape the outcome. In this case, you'll want to emphasize patience, recognizing that whatever you build may be an interim solution. Other ecosystems may be much farther along, and this will call for a different approach. In those markets, you may need to quickly decide how you plan to integrate, and on what terms, as you catch up to other participants.

Ecosystems don't necessarily come with clear labels or governance. In fact, some may start with a bilateral partnership model, offering additional value for customers by bringing together two non-competitive providers. Over time, this may morph into more of a product marketplace, or it could appear more like a traditional vertical integration model, even if some capabilities are white-labeled. In each case, relationships are developing far more quickly than before and the opportunities that present themselves today are unlikely to be available six months later.

Where to focus investments

Make deliberate choices with your ecosystem investments

For most insurers, ecosystems will require some new thinking about product design, data and technology. You'll likely need to build out these capabilities, using additional investment to

- Provide individualized recommendations that drive engagement and adoption. Frankly, few insurers have invested much effort in improving the user experience (UX) for internal and external users. But ecosystems, like social media sites, depend on keeping users “plugged in” whenever relevant. Your users will expect communication that is relevant and personal.
- Open up systems securely to your employees, employers and partners so you can be more flexible about the products, services and experiences you offer. This means building a well-functioning API framework and enablement process, and expanding integration capabilities to support secure connections to external parties, such as your customers and partners. You may also need to make changes on the back end to your data management programs, data storage and exchange platforms, as well as develop analytical capabilities to fuel data-driven decision making and discovery.
- Bring together data, analytics and business intelligence assets to “sense” market insights, and package them to provide more value to ecosystem offerings. For many carriers, data can be difficult to access and use effectively, and may be stuck in silos.
- Design, develop, source and manage products and services to meet customer needs, offer value to other ecosystem members, while also reducing the capital intensity of your own business. This is inevitably a balancing act that requires prioritization. You can't do it all, and ecosystems may provide an ideal way to meet those needs without “owning” a product. For example, according to the PwC Touchstone survey of US companies, the number one focus of employers hoping to improve people strategies is to offer benefits, outranking even compensation and corporate culture.² Most employers aren't offering their employees ancillary benefits (see Figure 4)—in combinations that one might expect to find in an insurance ecosystem. These and other benefits that have soared in popularity after the pandemic, like mental health offerings and child care, can strengthen an insurer's value proposition—but that's not to say that the insurer must directly provide these services. By bringing along one or more ecosystem participants, a carrier can quickly satisfy customer needs, widen its offering, and make its own customer experience that much “stickier”.

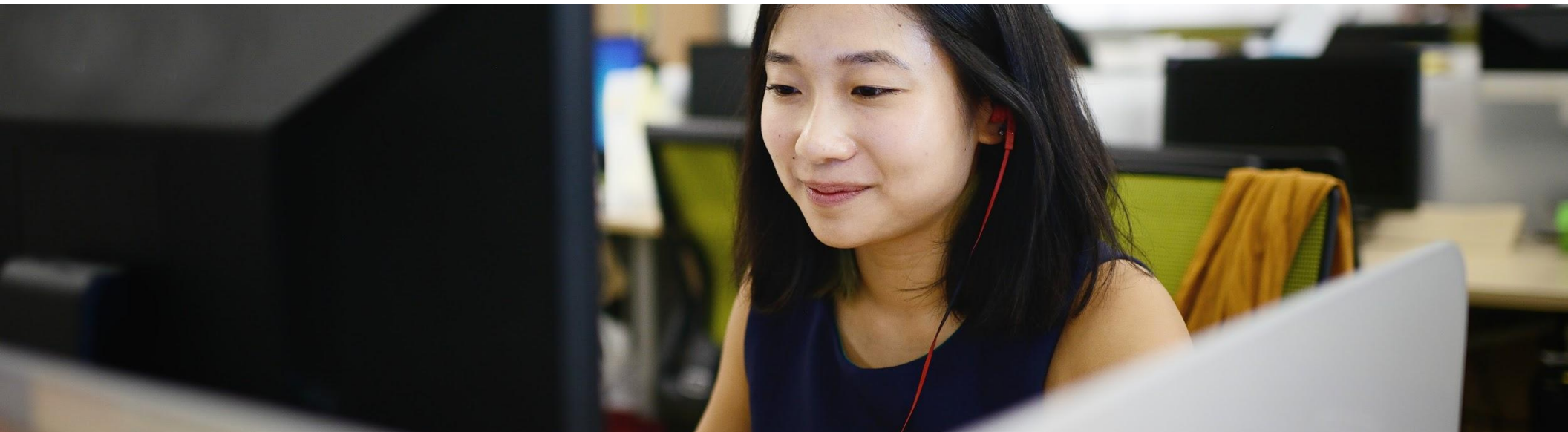
² PwC, 2020 Health and Well-being Touchstone Survey, October 2020.

Needs gaps

Figure 4: Insurance ecosystems use interwoven relationships to fulfill customer needs

Benefit	% of employers not offering
Long-term care insurance	77%
Legal insurance	53%
Identity theft protection	54%
Auto insurance	68%
Homeowners	70%
Personal liability	91%

Source: PwC Touchstone survey 2020



² PwC, 2020 Health and Well-being Touchstone Survey, October 2020.

Moving beyond convention

Ecosystems are a logical response to a flexible, highly networked business environment. They can provide the effect of scale without the asset intensity and command-and-control leadership that characterized so many 20th century titans. They require their participants to exercise a different set of skills: flexibility, customer intelligence, speed, and coordination. This is a time of great transition, offering both opportunity and risk for big and small companies alike.

Ecosystems' appeal is undeniable. They offer carriers a chance to reach beyond conventional insurance products and strengthen their relationships with customers. Many prominent insurers have been watching the assembling networks with curiosity and interest but often without much urgency. To be fair, this is an approach that has typically worked for insurers in the past: change occurred slowly, and the competitors were known quantities, so there was always time to catch up. Now, to be able to follow, carriers need to understand where they will fit in—and they need to do so before the appealing opportunities are taken. There is tremendous upside, but not for those that sit on the sidelines. The waiting period is over.



Contacts

Marie Carr

Global Growth Strategy, Financial Services
PwC US

marie.carr@pwc.com

Juneen Belknap Kirk

Advisory Financial Wellness Leader
PwC US

juneen.belknap@pwc.com

Joshua Schwartz

Advisory Principal, Life, Annuities & Group
PwC US

joshua.schwartz@pwc.com

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Talent strategies



Changing the odds in the war for talent



For years, insurance carriers have been trying to reinvent the way they attract, motivate and retain employees to stay relevant to the modern workforce. While some have certainly had successes, many have fallen short — and with the median age of insurance company employees already higher than other financial sectors, replacing talent is fast becoming a critical issue. This isn't just about losing developers to Silicon Valley. Across a full range of job categories, the industry is often seen as both limited and limiting by geography, incentives, career paths and more.

Over the past year, more immediate concerns dominated the spotlight, prompting us to publish [COVID-19 and the insurance industry](#)¹ with practical steps for responding to the crisis. From the office environment and stress to the human resources function itself, the advice still applies. But the crisis overshadowed a deeper underlying risk: Insurers have largely been losing the war for top talent.

Now, there's an opportunity to change the odds. The pandemic has forced companies to rethink the purpose of office work, but it's also opening up exciting possibilities to reskill teams, redefine the nature of jobs and recalibrate incentives toward what today's workers value most. This complements other key strategic priorities, including revamping the distribution model and developing a meaningful ecosystem strategy. But there's a hidden warning, too. If your company doesn't take these challenges seriously and its competitors do, you could see a significant talent flight that could have an impact on all of your company's priorities.

¹ PwC, "COVID-19 and the insurance industry: Practical steps for responding to the coronavirus crisis," March 2020, www.pwc.com, accessed March 11, 2021.

Talent management

In the current environment, managing talent is undoubtedly complex. There are many big issues to tackle, including how to make change stick, how to achieve diversity and inclusion (D&I) goals, and how to address broad environmental, social and governance (ESG) concerns. For the insurance industry in 2021, though, four issues stand out.

- Many companies aren't ready for the potential fallout of a return to office work.
- There's a growing skills gap that insurers are struggling to close.
- Insurers often make outdated assumptions about the importance of full-time, in-person work.
- Compensation and benefits are increasingly misaligned with what workers want and expect.

Back to the office won't mean back to normal

As vaccination rates rise and infection rates fall, some companies are pushing to bring everyone back to working in the office. We understand the appeal, but for millions of people, working from home turned out to be surprisingly feasible, welcomed and productive. One insurer we know had been steadily improving its employee engagement scores, listening to its people and connecting back to its purpose. After announcing a mandatory back-to-office policy, it experienced a strong backlash. Many employees saw the move as uncaring and misaligned with the company's stated values.



That company isn't alone. Many have stressed their willingness to listen to and care for their employees over the past year. Requiring the full team to come back could put the goodwill at risk, especially for dominant employers in relatively small markets. And the loss could be consequential. The pandemic has shown that people can increasingly work from anywhere and for companies based anywhere. "Remote" is now among the top search terms for job hunters.

² PwC, "Hybrid work comes to financial services," February 2021, www.pwc.com, accessed March 11, 2021.

³ Tayeb, Zahra. "The great divide: business leaders are split on long-term remote working," [Business Insider](#), March 7, 2021, accessed on Factiva on March 8, 2021.

⁴ Vasel, Kathryn. "How Google, Microsoft and others plan to work post-pandemic," [CNN Business](#), December 22, 2020, accessed on Factiva on March 8, 2021.

⁵ PwC, "The productivity agenda," February 2019, www.pwc.com, accessed March 11, 2021.

⁶ Moran, Gwen. "6 skills employees will need in the post-pandemic workplace" [Fast Company](#), October 27, 2020, accessed on Factiva on March 8, 2021.

Employer vs. employee attitudes

This is where our research shows a huge gap between employer and employee attitudes. Broadly speaking, management wants to go back to the office, but employees aren't fully on board (see Figure 1)². Many tech companies like **Salesforce** and **Dropbox** are giving many employees the option to work from home indefinitely if they wish³. Others are taking more of a middle ground. **Microsoft** recently said, "it is our goal to offer as much flexibility as possible to support individual workstyles, while balancing business needs and ensuring we live our culture." And, in the insurance industry, **Nationwide** announced plans last spring to permanently move to a hybrid operating model with employees working primarily from the office in four main corporate campuses and at home in most other locations⁴. These high profile moves could raise the pressure on companies that reflexively call all their workers back to their desks.

Figure 1: Employers and employees don't see eye-to-eye on back-to-the-office

How often will financial services workers need to be on site?

Only

20%

of FS employees said they believe the typical employee needs to be in the office three or more days per week

Meanwhile

70%

of industry employers believe workers should be in the office at least three days per week to maintain a distinctive culture

Source: PwC 'Hybrid work comes to financial services.' December 2020

² PwC, "Hybrid work comes to financial services," February 2021, www.pwc.com, accessed March 11, 2021.

³ Tayeb, Zahra. "The great divide: business leaders are split on long-term remote working," **Business Insider**, March 7, 2021, accessed on Factiva on March 8, 2021.

⁴ Vasel, Kathryn. "How Google, Microsoft and others plan to work post-pandemic," **CNN Business**, December 22, 2020, accessed on Factiva on March 8, 2021.

⁵ PwC, "The productivity agenda," February 2019, www.pwc.com, accessed March 11, 2021.

⁶ Moran, Gwen. "6 skills employees will need in the post-pandemic workplace" **Fast Company**, October 27, 2020, accessed on Factiva on March 8, 2021.

The skills gap

Employee skills don't always keep up with industry innovation. In a 2019 survey on financial services industry productivity, 81% of global insurance respondents said they were somewhat or very concerned about the availability of key skills, "putting pressure on costs and impairing organizations' ability to innovate and meet customer expectations."⁵

And now, talent needs in the insurance sector are changing. Carriers still need core, industry-specific capabilities, but they also require skills like digitization, data science, behavioral economics and user experience design. Companies also need this talent under different terms, like project-based, short-term, designing and implementing new initiatives rather than executing steady-state operations. Yet pervasive digitization, which has been accelerating during the pandemic, means these skills are increasingly in demand across **all** industries. That means your firm isn't just competing against peers for talent — it's competing against the world.

Many insurance roles are already changing. Carriers have relied on people to handle relatively repetitive back-office tasks like the manual aspects of claims processing, policy renewals and fraud detection. Much of that rote work can now be automated and done virtually. What companies still desperately need is smart people who understand industry processes, can think through ways to make them more efficient and can pivot toward analysis and service. That leaves a growing gap between what current talent can offer and the power skills that employers really need, like self-direction, digital capabilities, empathy, communication management, adaptability and motivational aptitude.⁶

² PwC, "Hybrid work comes to financial services," February 2021, www.pwc.com, accessed March 11, 2021.

³ Tayeb, Zahra. "The great divide: business leaders are split on long-term remote working," [Business Insider](#), March 7, 2021, accessed on Factiva on March 8, 2021.

⁴ Vasel, Kathryn. "How Google, Microsoft and others plan to work post-pandemic," [CNN Business](#), December 22, 2020, accessed on Factiva on March 8, 2021.

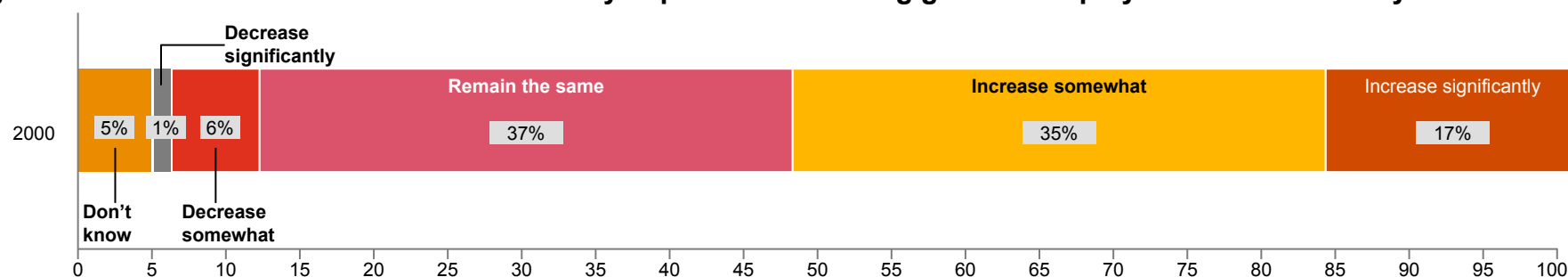
⁵ PwC, "The productivity agenda," February 2019, www.pwc.com, accessed March 11, 2021.

⁶ Moran, Gwen. "6 skills employees will need in the post-pandemic workplace" [Fast Company](#), October 27, 2020, accessed on Factiva on March 8, 2021.

Full-time or full-time equivalent?

Many of the most valuable companies in the world now rely on a mixture of full-time employees and gig economy talent that they can access on-demand. Beyond cost efficiencies, the approach makes it possible to access a full spectrum of talent, from workers with undifferentiated skills to professionals with highly specialized expertise.⁷ In contrast, most financial institutions still rely primarily on more traditional employment models. In our 2020 Financial Services Productivity Survey,⁸ we found that only 5% of employees can be classified as gig workers now. But more than half of our survey respondents plan to have more gig-based employees over the next three to five years, driven by continuous cost pressure and the need to access digitally skilled talent (see Figure 2).

Figure 2: More than half of financial firms surveyed plan to use more gig-based employees in the next 3-5 years



Source: PwC

Q: How do you expect the % of gig-based employees in your financial services organization to change in the next 3-5 years?

Getting to this point, though, will require overcoming several obstacles, including confidentiality concerns, a lack of knowledge, regulatory risk and overall risk avoidance. Companies also often have deeply ingrained procurement practices, particularly for talent. Supplier contracts with larger institutions can literally take years to complete, and it can be very difficult for new entrants to break down these barriers.

⁷ PwC, "Productivity 2021 and beyond: Five pillars for a better workforce," February 2021, www.pwc.com, accessed March 11, 2021.

⁸ Ibid.

Aligning incentives with what workers want

When today's insurance executives joined the industry, the implicit corporate promise was very different from where we are now. Insurers traditionally offered stability: You can work here for 30 years, have a solid career with a reliable, respectable employer, and have a life. The appeal is undeniable, and yet it doesn't intersect well with what many top tier job seekers want today.

Blame it on larger shifts in the economy. Older and younger employees are increasingly skeptical of that traditional vision, although for different reasons. Experienced workers have seen enough examples of companies breaking implicit promises around pensions and healthcare programs. They are wary of making tradeoffs in favor of stability, if they can't trust that stability.

Younger employees may compare their own experience to peers working at other companies that they perceive to be more dynamic. Here's a broad generalization from what we've found in our own firm: New workforce entrants are ambitious, they want to keep learning and advancing through the professional ranks, and they'll move on quickly if their expectations aren't being met. They want an employer with flexibility, work that is worthwhile and recognized, and ongoing feedback and encouragement. This description doesn't match the workplace at many insurers because the cultural emphasis on risk management has led many companies to support rigid organizational hierarchies and specialization.

Today's insurance jobs are rarely designed for the kind of career growth people now expect. They **could** be, but it won't happen without a conscious effort. Consider that for many job seekers, gaining exposure to new experiences and building skills — and having more flexibility — may be at least as important as compensation when weighing competing offers.

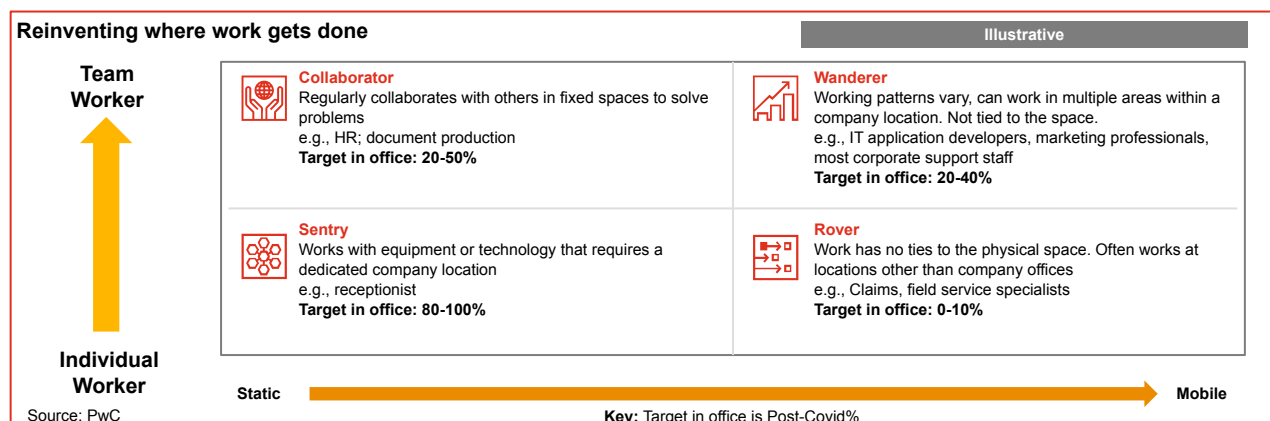


Hybrid work models

Planning for a world of hybrid work

Companies have never had an opportunity quite like this to re-envision how they work. On the one hand, financial firms have been generally slower to announce work-from-anywhere policies. On the other hand, most of our clients are exploring what it would mean to embrace virtual working models. In many ways, these moves dovetail with other stated corporate objectives involving evolving social norms, commitments to culture and the way people work and interact in society.

Figure 3: Mobility standards, the degree to which an employee works from home, vary by an employee's role



By design or default, we expect that even laggards will move to adopt a more hybrid design over time. But there are very real issues to address. It's time to reinvent how work gets done to enable a more virtual workforce, including training around remote collaboration, coaching and managing a remote workforce and reinforcing a common culture. We can all learn from global companies that draw together workers from São Paulo to Seoul to San Francisco. Companies that get it right will let everyone feel as if they are “in” the home office rather than a second-tier location, regardless of where they physically sit.

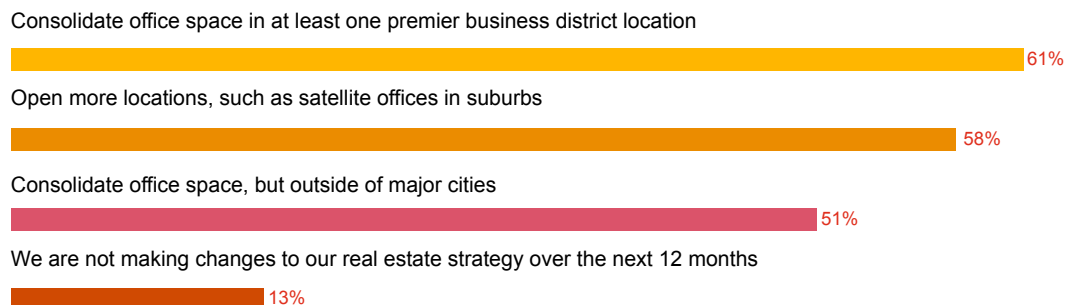
⁹ PwC, “US Remote Work Survey: It's time to reimagine where and how work will get done,” January 2021, www.pwc.com, accessed March 11, 2021.

Hybrid work models (continued)

Overall, many insurers may turn to mobility standards — the degree to which an employee works from home — that vary by an employee's role. Figure 3 offers an illustrative example of how companies might approach the challenge of defining who works from where, and when.

Finally, your real estate strategy may change significantly. In our December remote work survey, most executives told us they're actively reviewing their holdings (see Figure 4).⁹ Space needs now should factor in how many workers will be in the office each day, how much space they'll need to be productive and still meet any health safety concerns, and whether companies will reduce their existing real estate footprints as they move to more remote work models or use flexible office space to meet fluctuating space needs.

Figure 4: Real estate strategy in transition as companies anticipate multiple changes



Q: What changes are you making to your real estate strategy in the next 12 months?

Source: PwC US Remote Work Survey
January 12, 2021, Base: 128 US executives

Upskill for today, redesign jobs for tomorrow

Adding skills

Many insurers tell us they struggle with a balancing act. Do we recruit technologically adept employees who understand the subtleties of the industry or help existing staff add digital literacy to their existing domain knowledge? This tension may increase, because even sophisticated functions such as underwriting and actuarial work include elements that could become irrelevant. Often, companies treat this as a short-term problem, moving work offshore rather than investing in talent they have. It rarely works the way they hope. There's another option: helping someone reinvent themselves as a data scientist to enhance predictive analytics involving claims probability, establish customer risk profiles and rethink pricing models.

⁹ PwC, "US Remote Work Survey: It's time to reimagine where and how work will get done," January 2021, www.pwc.com, accessed March 11, 2021.

Roles and skills

Digital skills are an ongoing need across an entire organization. What we know today may seem quaint in a decade, as drones and Internet-of-Things sensors and augmented reality become more commonplace. But for teams that are committed to the idea of innovation, these just become the latest tools to leverage. In [The digital insurance workforce: going beyond aspirations](#)¹⁰, we describe six foundational steps that are common to every meaningful digital upskilling effort. As we've seen in our own firmwide digital upskilling efforts, putting a digital workforce into place is as much a matter of winning hearts and minds as it is of strengthening specific skills.

Rethinking roles

You'll also want to skate to where the proverbial puck will be. Look at the roles across your organization and redesign them now for a digitized industry and a hybrid workforce. Our [ProEdge](#) product¹¹, which actively scans job descriptions to stay on top of which skills are in highest demand, shows how jobs are already changing. Consider these three examples:

Role	Skills needed now	Skills needed in the future
Sales representatives	<ul style="list-style-type: none">• Presentations• Sales• Written communications	<ul style="list-style-type: none">• Digital storytelling• Marketing automation• Intelligent automation• Digital marketing• Social media
Property and casualty claims adjusters	<ul style="list-style-type: none">• Customer service• Communications• Detail Oriented	<ul style="list-style-type: none">• Customer service• Data analysis• Problem solving
Underwriting support specialists	<ul style="list-style-type: none">• Written communication• Problem solving• Sales	<ul style="list-style-type: none">• Data visualization• Data analysis• Data management• Data science• Data modeling

Source: PwC Financial Services Institute

¹⁰ PwC, "The digital insurance workforce: Going beyond aspirations," February 2020, www.pwc.com, accessed March 11, 2021.

¹¹ ProEdge, a PwC product, is an end-to-end digital upskilling platform. More information is available at <https://www.pwc.com/us/en/products/proedge.html>.

¹² PwC, "Top insurance industry issues in 2021: Forces shaping insurance distribution," February 2021, www.pwc.com, accessed March 11, 2021.

Roles and skills (continued)

- **Sales representatives:** Sales reps have traditionally succeeded through strong interpersonal and networking skills — skills that may matter less now. As we note in [Forces shaping insurance distribution](#)¹², tomorrow's sales reps will need to be comfortable with customer-relationship management (CRM) systems. They'll need to demonstrate, using data-driven insights, how your products can benefit your customers.
- **Claims adjusters:** In the past, property and casualty claims adjusters inspected property damage and interviewed policyholders to understand a given loss incident. But the overall claims-handling process will likely be far more automated, with significant self-service, virtualization and straight-through processing. Carriers may need fewer people to “run the machine,” paying more attention to managing exceptions. The customer-facing workforce will probably be equipped with productivity and decision tools that are highly scalable and efficient, potentially built around a robust or defensive claims handling strategy.
- **Underwriting support specialists:** Insurers have relied on staff to handle the varied clerical work associated with day-to-day underwriting operations, helping address broker requests and keeping the back office moving. As much of this work becomes automated, it won't make sense to have people toggling between disparate systems, but there will still be problems to resolve. This means a reimagining of the role and a need for a fundamentally different skill set, including using automation tools and the ability to derive new insights from data — including new sources such as sensors and external partners.



¹⁰ PwC, “The digital insurance workforce: Going beyond aspirations,” February 2020, www.pwc.com, accessed March 11, 2021.

¹¹ ProEdge, a PwC product, is an end-to-end digital upskilling platform. More information is available at <https://www.pwc.com/us/en/products/proedge.html>.

¹² PwC, “Top insurance industry issues in 2021: Forces shaping insurance distribution,” February 2021, www.pwc.com, accessed March 11, 2021.

Recruiting considerations

Rethink what it means to add staff

Recruiting:

One of the most lasting effects of the pandemic may be the way it changes our world view of the labor market. For insurers, this could be a game changer. As we've noted, you shouldn't take success for granted when it comes to hybrid work. But once you've decided to turn remote work into a core strength, you can compete for talent in any market in the country.¹³ If you're based in New England, you can now make a credible appeal to people with the skills you want, even if they are committed to staying on the West Coast. If your offices are in Florida, you can still turn to project-based workers in Pittsburgh or a contract group in Austin. Most companies we know are still dealing with lingering talent challenges from this year of crisis. But by doubling down on working through these challenges, rather than reverting to what you already know how to do, you may be able to improve your competitive position for years to come.

"Once you're open to creating a hybrid or remote plan, you can compete for talent in any market in the country."

Julia Lamm

Global Workforce Strategy Leader
PwC US

Capitalize on flexible work models:

Some high-appeal talent may be willing to work for insurers using a more flexible work model, such as part-time or on-a-project basis — but this avenue is often untapped. In our most recent financial services productivity survey,¹⁴ insurers reported using a lower share of contingent labor, fewer plans to access contingent labor in the next three to five years, and a lower likelihood of using talent platforms as a means to access this talent relative to other financial services firms.

¹³Remote recruiting is both a skill worth cultivating and an opportunity to shape how candidates see your company. For example, carriers may use virtual reality to allow applicants to "choose their own adventure" during the recruiting process. We've used this technology in our own recruiting to give candidates a deeper connection to the firm and the opportunities they'll have as an employee. Interactive video interviews and gamification dashboards that show applicants where they are in the process are all quick wins in attracting a more tech-savvy applicant base. More information is available at PwC, "The new virtual reality of recruiting," October 2020, www.pwc.com, accessed March 11, 2021.

¹⁴PwC, "Productivity 2021 and beyond: Five pillars for a better workforce," *op. cit.*

¹⁵PwC, "Here today, gone tomorrow: Contingent workers in financial services," November 2016, www.pwc.com, accessed March 11, 2021.

Managing risks

Manage the risk of flexible work models:

Some high-appeal talent may be willing to work for insurers using a more flexible work model, such as part-time or on-a-project basis. Carriers could benefit from this, gaining access to highly qualified talent as needed, especially if they can't justify adding a role on a full-time basis. As the nature of work itself changes, carriers could augment their teams with contingent labor until their needs are more defined.

In **Here today, gone tomorrow: contingent workers in financial services**,¹⁵ we examine the risks affecting the use of independent resources — and there are many, from data security and regulatory mandates to the effect on the full-time workforce. But this, too, is a competency that can (and should) be developed. By developing the ability to scale your workforce up and down as needed, you'll be able to respond far more quickly to rapidly changing markets.



¹³Remote recruiting is both a skill worth cultivating and an opportunity to shape how candidates see your company. For example, carriers may use virtual reality to allow applicants to “choose their own adventure” during the recruiting process. We’ve used this technology in our own recruiting to give candidates a deeper connection to the firm and the opportunities they’ll have as an employee. Interactive video interviews and gamification dashboards that show applicants where they are in the process are all quick wins in attracting a more tech-savvy applicant base. More information is available at PwC, “The new virtual reality of recruiting,” October 2020, www.pwc.com, accessed March 11, 2021.

¹⁴PwC, “Productivity 2021 and beyond: Five pillars for a better workforce,” *op. cit.*

¹⁵PwC, “Here today, gone tomorrow: Contingent workers in financial services,” November 2016, www.pwc.com, accessed March 11, 2021.

Changing career expectations

What workers want

Make career paths more dynamic:

Several years ago, we published an article on the value of finding broader career paths to **retain talent in control functions**¹⁶ such as audit, risk and compliance. In that report, we noted that there are departments across a company that need employees with regulatory expertise (or a cybersecurity background, or analytic chops) — and that cross-training and job rotations can be both healthy for the organization and motivating for employees. The advice still holds true across financial services — and it may have even broader resonance within insurance. As carriers build out their **ecosystem strategy**,¹⁷ they will have an ever greater need for employees who know their craft and want to want to apply it more broadly.

Emphasize flexibility over stability, and mean it:

Flexibility can be learned and built into a culture. It applies to how you treat existing talent and how you source new capabilities. Even during the pandemic, with work-life balance often blurring, many people on your current team may prefer having more vacation time to a pay raise. By allowing for experimentation in alternate work weeks, you may gain far more in employee engagement and loyalty than you might lose in productivity. The same applies to external resources: using programs like PwC's own Talent Exchange¹⁸, you may be able to scale your team far more effectively than sourcing and hiring full-time staff. This even applies on a larger scale. While your corporate development group may see value in acquiring an InsurTech startup, you may really just need that team's strengths for 18-24 months. The InsurTech may be open to working out an arrangement while it builds up a sustaining revenue stream of its own.

Share your story:

As people long for opportunities to make their work more purpose-driven, insurance companies stand to benefit. At its core, the industry offers a way for people and businesses to be more resilient in the face of adversity. It's here to help, and this is a message that can resonate for recruiting and retention. It's also worth noting that there's a connection between upskilling and wellness. Employees want to feel that their work is making a meaningful contribution to an organization's mission. As insurance companies proceed with their digital transformation, they are becoming some of the most dynamic workplaces in the country — and this is also a message to promote. Today, it's possible to go into insurance at an entry level and have immediate responsibility and more interesting work than a corresponding position at a tech firm. The culture and brand perception are going to be different, but the daily work experience can be very appealing.

¹⁶ PwC, "Under control: Pooling control functions talent in financial services," October 2016, www.pwc.com, accessed March 11, 2021.

¹⁷ PwC, "Top insurance industry issues in 2021: Insurance ecosystems provide companies the opportunity for a fundamental shift," February 2021, www.pwc.com, accessed March 11, 2021.

¹⁸ PwC's **Talent Exchange**™ is a marketplace for connecting independent gig workers with project-based opportunities at PwC. More information is available at <https://talentexchange.pwc.com/>.

Conclusion: Old school or avant garde?

Talent: the choice insurers face

How companies respond to the post-pandemic rebound says a lot about how they see their future. For insurers, it could be particularly telling. Faced with the pivotal moment, some will retreat to what they know. Others will note that the business environment has changed, and they need to make changes too.

For talent, as with the other insurance top trends we're highlighting in 2021, these changes have been coming for a while. The industry *has* had a staffing problem. The emphasis on full-time work has been feeling dated. The employer-employee value proposition *has* been strained as worker priorities have shifted. What's different? The recognition that companies now have the ability to address these challenges.

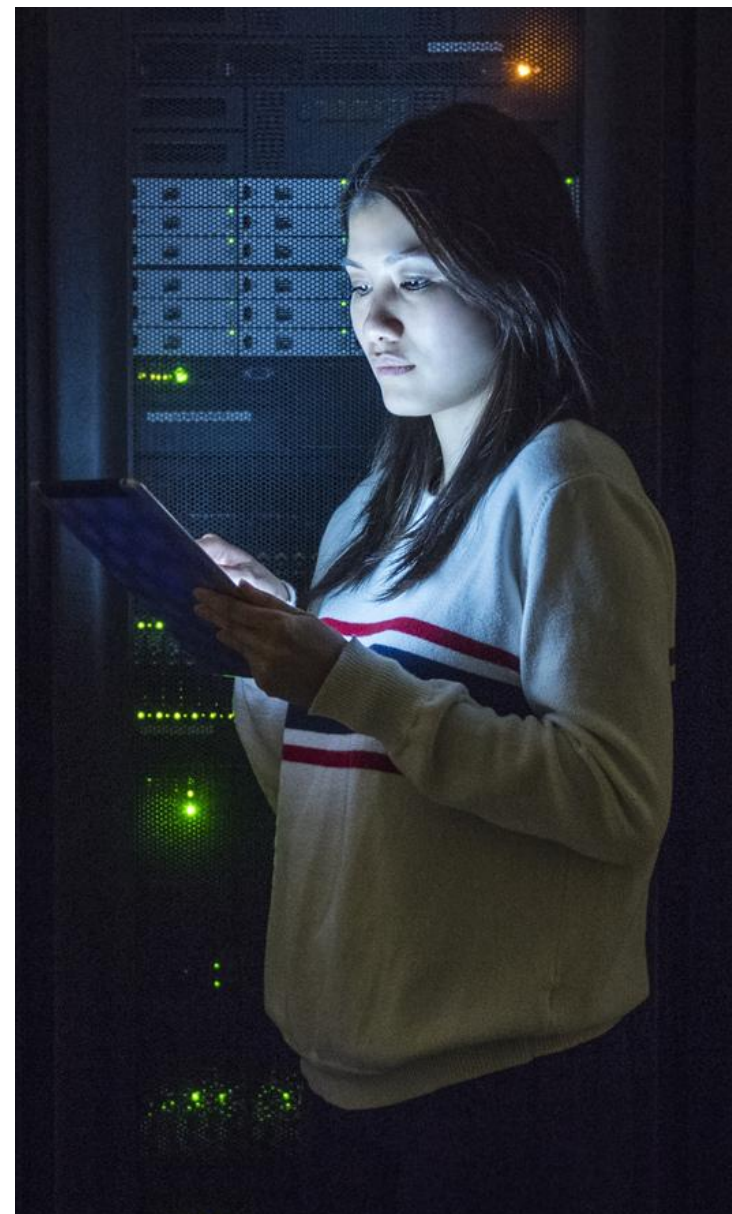
We've all been jolted out of our routines by a tragic event. But we have also learned that our teams are surprisingly capable at adapting to entirely new ways of working — learning new technologies, reinventing processes and supporting each other. Like a child riding a bicycle without training wheels for the first time, many of us are looking around and saying, “*We can do this.*”

It's not time to sign up for the Tour de France — yet. Adapting to new ways of working will not be a one-time process. Rather, carriers should expect a continuous evolution over time in response to new technologies, market developments and changes in consumer preferences and competitive dynamics. Many incumbent carriers have cultures that are proudly traditional with deeply established processes, and they may have a harder time implementing change. But we are reassured by the work that we have already seen leaders do and we earnestly hope that others will seize the opportunity to reimagine the way they acquire, incentivize and retain talent.

¹⁶ PwC, “Under control: Pooling control functions talent in financial services,” October 2016, www.pwc.com, accessed March 11, 2021.

¹⁷ PwC, “Top insurance industry issues in 2021: Insurance ecosystems provide companies the opportunity for a fundamental shift,” February 2021, www.pwc.com, accessed March 11, 2021.

¹⁸ PwC's [Talent Exchange](https://talentexchange.pwc.com/)™ is a marketplace for connecting independent gig workers with project-based opportunities at PwC. More information is available at <https://talentexchange.pwc.com/>.



Contacts

Julia Lamm

Global Workforce Strategy Leader

PwC US

julia.w.lamm@pwc.com

Matt Adams

Insurance Practice Leader

PwC US

matt.adams@pwc.com

Ellen Walsh

Insurance Advisory Leader

PwC US

ellen.walsh@pwc.com

Marie Carr

Global Growth Strategy, Financial Services

PwC US

marie.carr@pwc.com



The insurance underwriter's challenge



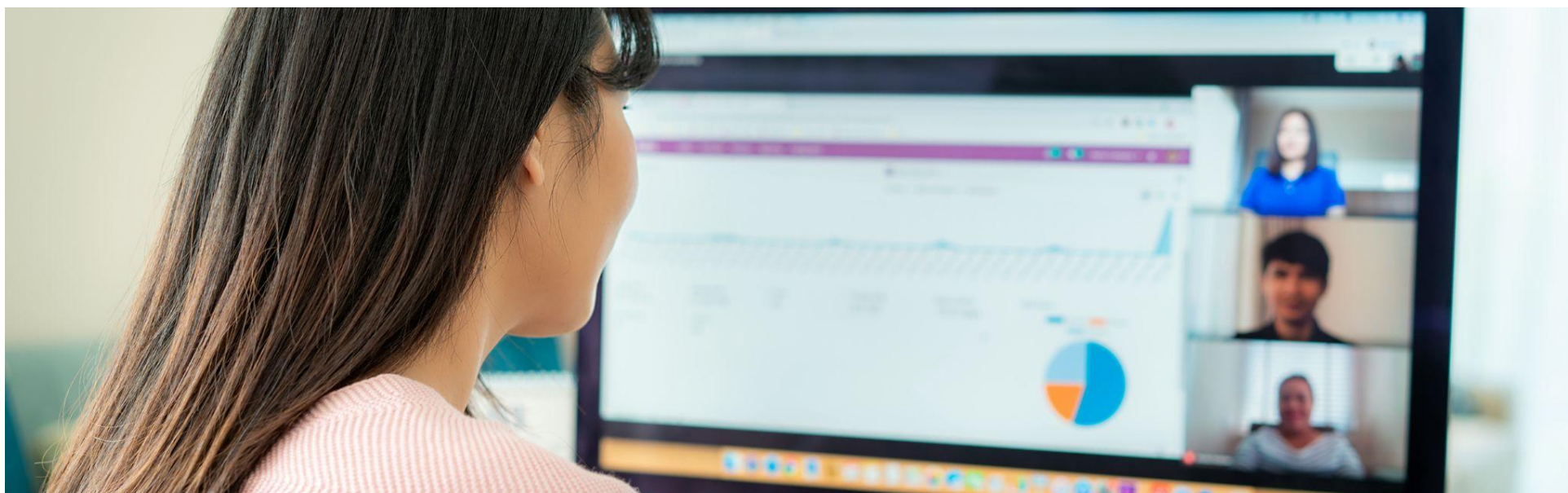
The underwriter's challenge: Turning data into useful information

The insurance industry has been hearing a lot about how technology can help improve underwriting decisions. There's been a deluge of powerful tools to hit the market, many drawing on artificial intelligence (AI) techniques like machine learning to make decisions more "data-driven," so companies have a lot to choose from.

We agree that AI can be enormously useful as a complement to skilled underwriters, and intelligent automation can free up your staff's brainpower to add value instead of just pushing paper. We've even designed and developed our own AI-based digital underwriting model. But underwriting is a broad topic, and more advanced modeling without context is unlikely to lead to better results. Now, the pandemic's upheaval has some insurers thinking about where to apply these efforts for maximum effect.

Underwriting efficiency has been on the back burner for a while. After the financial crisis of the late 2000s, most insurers concentrated on strengthening their balance sheets. As returns on investments grew and expected losses failed to materialize, companies were able to generate attractive profits without counting nickels and dimes. Underwriters were encouraged to focus on bringing in business. That time is likely over.

Machine learning programs have tremendous potential in an insurer's toolbox. But what's needed first is basic blocking and tackling to address the more fundamental challenges of tying underwriting decisions to loss experience on a more timely basis, selecting risks more effectively, improving the customer experience — **and doing all this at a lower cost.**



Underwriting in a bind

The underwriting cycle has changed

To those outside the industry, underwriting is one continuous math problem: simulating expected losses, segmenting customers by behavior, assessing what percentage of risk should be ceded to reinsurers, and so on. But you'd almost certainly price a given risk differently in 2011 and 2021, and analytics are only part of the story. After all, you'll generally charge more when demand exceeds supply and try to avoid losses when there's too much capacity. Insurance executives understand that this is now one of the hardest markets in decades. Rates are unusually high, and they continue to inch upward. But this cycle is different from what most of us have seen before, and typical underwriting strategies probably won't work in the same way as they once did.

With anemic interest rates pushing down investment returns for years, claims rates ticking up, more severe losses from factors like climate change and social inflation, increased competition from startups, and uncertainties generated by the pandemic, economics suggest that capacity **should** be constricting — but it's not. This leaves underwriters in a bind when prices start to soften, as they will. Should we keep writing policies or back off? Machine learning depends on having a training set of data that can help it understand how the world works, but we haven't seen a market quite like this before.

The information supply chain is broken

One of the most intriguing and frustrating developments for underwriting concerns the continuum of data. Practitioners have known that they could make better decisions if they had timely access to the right data sources. In fact, insurers are now starting to drown in data from sources that were unimaginable not long ago. But most don't have meaningful, timely feedback between loss data and underwriting decisions.

To be clear, insurers have already heard quite enough about how they should make more “data-driven” decisions and, indeed, their underwriters appear to have data. But it often comes in the form of static monthly or quarterly reports. In anticipation of future thinner margins and a softer impending market, underwriters can't afford to wait. If it takes them three quarters to discover that important attributes have changed and they need to modify pricing to compensate, they've waited far too long. The work also affects the customer experience, because it means that underwriters are making decisions with particularly imperfect information, which will often lead them to pad their quotes, setting off another cycle of collecting more information.

A challenging process

There's no 'delight' in the underwriting customer experience

One of the biggest turnoffs for insurance buyers and intermediaries is having to invest time in underwriting processes that can feel unproductive, particularly when a carrier doesn't seem to know what it wants to underwrite. This became tangible in the early days of the pandemic as agents and brokers got far more selective in a hurry. They became more choosy once visiting customers in person became less palatable, and calls that were unlikely to add value moved online quickly. This is a side effect of the move toward virtual work practices seen in most industries, and it exposes an unfortunate truth: Both commercial and retail customers generally don't like the insurance buying process, and they **really** don't like it if the underwriting process is inefficient.

Brokers all too frequently have to collect a lot of information from their customers and there's a lot of back-and-forth with carriers that can feel unproductive. If the carrier submits a price that's off the mark, there could be another round of information gathering and submitting and evaluating. This is also true with larger corporate customers, whose risk management departments will be equally impatient with what they see as fruitless interactions. It's also true for retail buyers, where smartphone apps are conditioning customers to expect largely stress-free purchases of everything from dinner delivery to collision insurance.

Underwriting can be faster, better, cheaper

Typically, when carriers pay attention to underwriting efficiency, they're looking to speed up the work. This is the logical end of moving beyond paper. You want to shave hours off the quote-to-bind process by moving work along to the next person. The instinct is laudable, but it's rarely the immediate priority. If you speed up a questionable process, you can actually wind up entrenching it even deeper and adding to downstream inefficiencies. But there's no doubt that many underwriting processes are still fairly inefficient, with little effective automation, too much manual work and not enough coordination across systems.

Despite all the work that carriers have done to automate reviews and policy change requests, they're still running into plenty of exceptions. We still see examples of underwriters who are expected to toggle through dozens of different systems to reference guidelines and find other data they need. Internal and external communications flows can be convoluted. Data re-entry during manual submissions can introduce new errors that will need to be reconciled. Skilled underwriters often find themselves doing work that more properly belongs with an underwriting support group.



Case study: Cross-accumulations risk

Are there hidden risks hiding on your balance sheet? In the prolonged low interest rate environment, many carriers have come to rely on equities and private markets to boost profitability through greater investment returns. However, few insurers are able to tie underwriting decisions to their investment holdings. You may unwittingly increase your exposure if you invest in a company's various securities while also underwriting its risk. If there's a credit event that threatens the customer, you could have more risk than you'd planned for. A properly designed information platform should give you a more holistic view of your overall, cross-accumulated risk exposure.

Underwriting 2.0: A more strategic view of risk

Make cycle dynamics work for you

For all that we know about underwriting cycle dynamics,¹ the topic remains a mystery to many. In theory, profitability shouldn't be cyclical, since loss events are random. Most companies continue to chase broad trends, looking to maximize profits or minimize losses, depending on where they think they are on the sine wave. But there's not just one cycle. The supply of capacity and capital can vary by product line and market segment, each of which can be subdivided many times over.

We recognize that competitive pricing is an important strategy, and that many insurance buyers are driven by cost. But we also note that there are many ways to price products, and market leaders can be less reactive and more deliberate when they can see what's actually driving loss behavior on a granular level. To price more holistically, you'll want to start with a more strategic view of the risks you want to take.

Give underwriters the right information at the right time

In 2021, we see more insurers moving to reimagine the role of underwriting, giving them the power to turn raw data into intelligence. This can be done with intelligent data systems that give underwriters near-real-time information about what has changed so they can apply their judgment and experience. Have risk conditions changed outside of a known tolerance? Is your pricing for certain risk categories trending toward a new tier? Are there sectors of your portfolio that require additional attention? Does your risk appetite seem to be running hot?

A few industry leaders are starting to build entire information environments that can provide underwriters with more actionable real-time information about product and portfolio performance. Machine learning plays a role here, but it goes far beyond "making better decisions." With such a "mission control" system, you could alert teams to market changes based on user-defined triggers so you can decide how to react, rather than figuring out that there is something to react to. It might also give you the ability to make pricing more dynamic, adjusting pricing nearly in real time. It could also provide alerts to let you monitor automated underwriting decisions more effectively, assessing risk aggregation, adverse selection and similar challenges in real time rather than waiting for a monthly or quarterly book review. Ideally, it could also let you do "what if" simulations, letting you test certain assumptions by Zip Code or customer segment to see what the impact could be to your financial performance or sales funnel.

You probably have access to data from smart devices, external sources and even synthetic data generated from computer programs. You can draw on claims, distribution and financial data to create a holistic view of your customers' (and your own) exposures. By selecting the right data to include and building your rules around this more granular data, you should be able to underwrite more contracts automatically, saving manual intervention for the more subtle transactions where it's needed most. And, with a deeper understanding of what is happening with claims — severity, frequency, denials — you should be in a position to match prices to risks more closely.

¹Academics have been fascinated by underwriting cycles for years because they shouldn't be so prominent in rational economic markets. For an overview on the topic, see Mary A. Weiss, "Underwriting Cycles: A Synthesis and Further Directions," *Journal of Insurance Issues*, Spring 2007, Vol. 30, No. 1, pp. 31-45.

Underwriting 2.0: Improving the customer experience

Design underwriting around your customer by being clear about which risks you want

Are insurance customers getting the experience they want? Probably not. In our 2020 global [CEO survey](#), insurance CEOs identified customer experience as their top priority, easily topping the second choice, core tech transformation.² Customer experience at many key moments, such as policy origination and claims settlement, is becoming faster, more intuitive and more user-friendly. But customers demand even more personalization, flexible all-channel engagement and solutions to their needs that cut across traditional insurance industry boundaries. This starts with underwriting.

As we discussed in [Forces shaping insurance distribution](#),³ most insurance companies could do a far better job of deciding which opportunities they want to pursue. Instead of trying to compete for everything — mostly without success — we'd encourage you to choose where you explicitly want to make your play. This is an issue of strategy, not models. When you have clarity around your underwriting appetite, you can short-circuit the futile process of collecting data that won't lead to a sale. By targeting your sales enablement efforts more effectively, you may enhance your relationship with channel partners by becoming known as a carrier who won't waste time on unproductive bids.

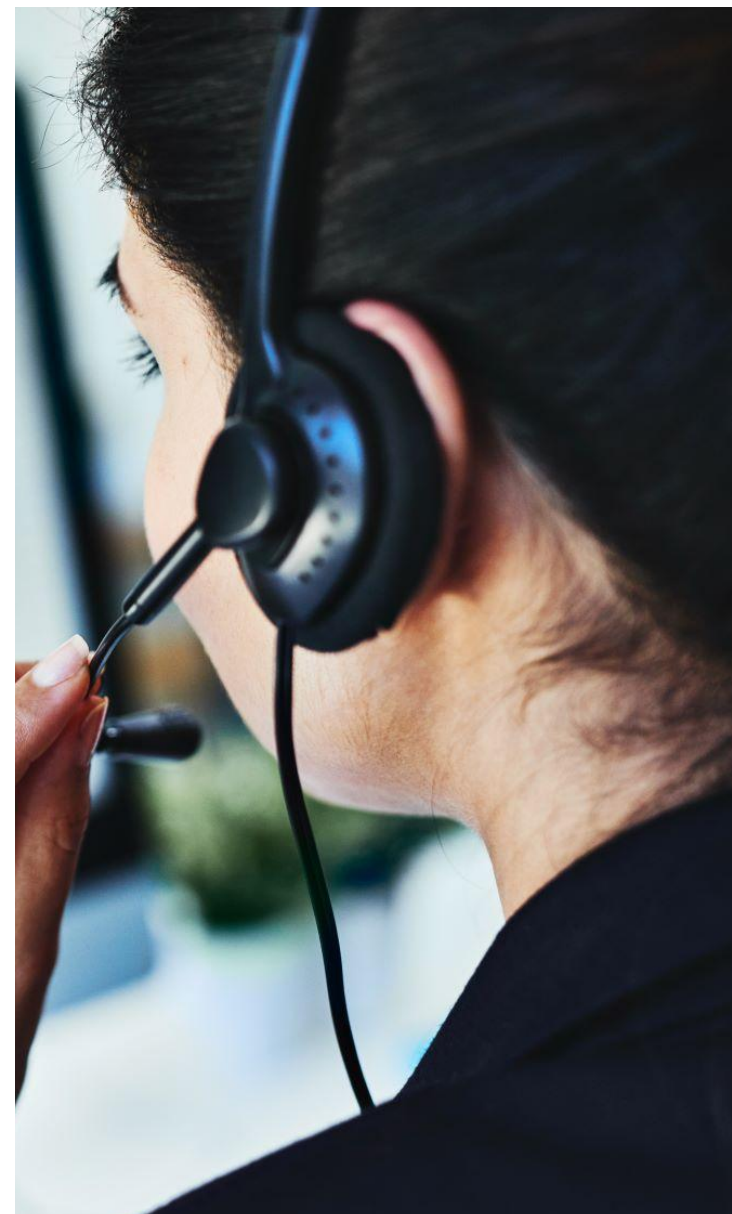
Of course, the emphasis on customer experience started with retail buyers in other industries. Some retail property and casualty insurers have tried to turn convenience and underwriting speed into a brand attribute, from mobile app design to back-end processes. But the principle also applies more broadly. Everyone knows that underwriters have to get information to make solid risk assessments, but the insistence on collecting “blood or urine samples” sets everyone on edge. Companies that are able to make decisions by leveraging alternative data sources may find that they can react more quickly and enhance the buying process without taking on additional risk.

²PwC, “Insurance trends 2020: Moving from resilience to reinvention will help insurers succeed in uncertain times,” March 2020, www.pwc.com, accessed March 11, 2021.

³PwC, “Top insurance industry issues in 2021: Forces shaping insurance distribution,” February 2021, www.pwc.com, accessed March 11, 2021.

⁴PwC, “Commercial insurance underwriting strategy: The key to high performance,” November 2018, www.pwc.com, accessed March 17, 2021.

⁵PwC, “Commercial insurance performance measurement,” September 2019, www.pwc.com, accessed March 17, 2021.



Underwriting 2.0: A more efficient process

Keep making your process more efficient

Many insurers have already made great strides in automating their workflows. But technology continues to become more sophisticated, and intelligent automation (IA) systems are becoming increasingly capable. Your underwriting teams may still spend an inordinate amount of time collecting data from different sites and entering it into internal systems, comparing this to claims histories, checking policies for errors and inconsistencies, and so on. Today's IA tools can quickly learn these processes and do them automatically. By using digital labor to handle lower value repetitive work, you may free up underwriting teams to provide better and faster communications to your customers.

Many insurance companies approach automation discussions by looking at manual processes and asking what they could automate. We actually find it helpful to invert the equation: What must underwriters touch directly, and what could go straight through if we could enable it? This can let you reconsider the process and either eliminate steps altogether or find new ways to handle them without manual intervention.



The role of governance

Our research shows insurers that have a sustainable underwriting advantage routinely outperform their peers. In previous articles on [commercial underwriting strategy](#)⁴ and our [Insurance Performance Measurement](#)⁵ approach, we've seen that leading insurers share four key traits:

- Strategic risk selection
- Operational efficiency
- Disciplined expense management
- Diversified portfolios

But when the going gets tough, market leaders typically hold their position tight governance and controls. This means managing the overall risk portfolio against clearly defined metrics, using product line and business unit controls to out-select and out-price risk. This is why it's so important to streamline your information supply chain. Your systems should tell you when you may need to pivot to give you the first-mover advantage. If you have to discover problems on your own in a quarterly review, it may be too late.

²PwC, "Insurance trends 2020: Moving from resilience to reinvention will help insurers succeed in uncertain times," March 2020, [www.pwc.com](#), accessed March 11, 2021.

³PwC, "Top insurance industry issues in 2021: Forces shaping insurance distribution," February 2021, [www.pwc.com](#), accessed March 11, 2021.

⁴PwC, "Commercial insurance underwriting strategy: The key to high performance," November 2018, [www.pwc.com](#), accessed March 17, 2021.

⁵PwC, "Commercial insurance performance measurement," September 2019, [www.pwc.com](#), accessed March 17, 2021.

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⁴PwC, "Commercial insurance underwriting strategy: The key to high performance," November 2018, [www.pwc.com](#), accessed March 17, 2021.

⁵PwC, "Commercial insurance performance measurement," September 2019, [www.pwc.com](#), accessed March 17, 2021.

Let underwriters be underwriters

Underwriting always has relied on human expertise and it probably always will, especially for larger, more complex risks. But, because of industry economics, doing this efficiently hasn't always been top of mind. An unlikely combination of rising claims and rising competition is leading companies to take a new look at how underwriting can be made faster and smarter.

It's tempting to think that the answer lies in having a computer make better loss predictions. You should take advantage of AI tools that can be trained to find insights that you might miss. But today's biggest underwriting opportunities are more fundamental. With a better grasp of loss drivers and a more clearly articulated vision of business strategy, you may avoid the inefficiencies of cyclical pricing. By tapping into timely feedback on losses, real-time developments and previously inaccessible risks like cross-accumulations, you're more likely to make better risk decisions and to course-correct in real-time.

None of this is radical, but it's unusual because most companies haven't looked at all the data they could draw on, haven't identified the interlocking tolerances they'll want to monitor, or haven't considered how this will affect their underwriting strategy. This year, we expect to see more companies use automation tools to manage underwriting decisions more effectively, with tools that will show underwriters enough that they can price business more dynamically. Done properly, this will help insurers manage underwriting much more efficiently.

In a way, insurance has always been a matter of information asymmetry. Insurers don't know what their customers know, and they don't know what fate has in store. But they can — and should — start to think about bringing together all that they do know. With the right information at the right time, your underwriters can create an overall information advantage. This can enable your broader strategic goals over time, regardless of where we happen to be in the next underwriting cycle.

We are grateful to PwC's Katie Klutts, Jon Blough and Anand Rao for their contributions to this report.



Contacts

Rich de Haan

Actuarial Leader
PwC US

richard.dehaan@pwc.com

Joseph Calandro, Jr.

Managing Director, Insurance Advisory
PwC US

calandro.joseph@pwc.com

Marie Carr

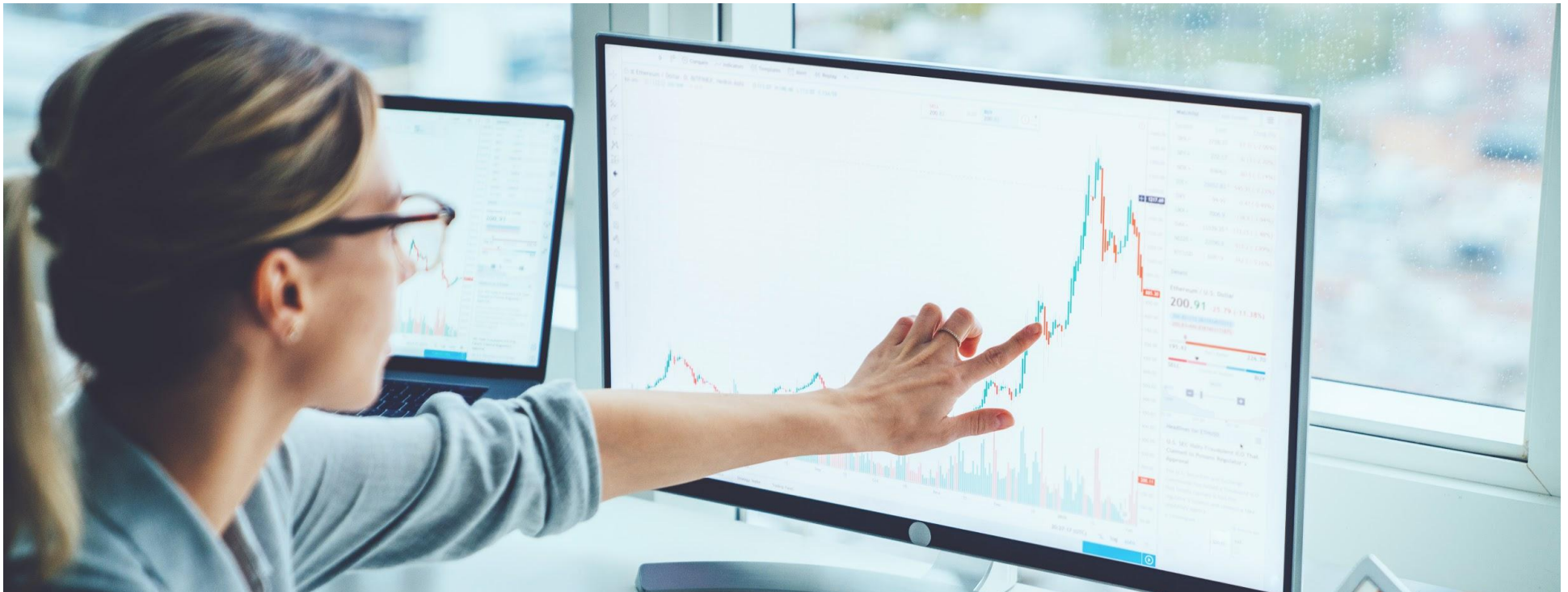
Global Growth Strategy, Financial Services
PwC US

marie.carr@pwc.com

Francois Ramette

Principal, Insurance Advisory
PwC US

francois.ramette@pwc.com



Alternative models



Rethinking purpose and structure

Insurers promise “we’ll be there when you need us.” In exchange for premiums paid today, buyers trust that they can rely on certain financial help if they face peril in an uncertain future. To reinforce that promise, insurers have to diversify risk, and scale helps them deliver on that promise. And, to some extent, they’ve been trying to fine tune the balance between centralized, standardized and controlled capabilities and decentralized models.

An insurer’s capital and reserves do have to be rock solid. But buyer attitudes and behaviors are changing. Once they’re assured that claims will be paid (one of the primary factors on which insurers are rated), customers probably care less about size than they once did. When policyholders think of a word to describe the typical carrier— with imposing headquarters, products sold through a bricks-and-mortar agency sales force and so on — many no longer pick the word “trust.” In a recent survey of US adults, just 37% of respondents indicated that they trusted the insurance industry “to do what is right” — behind some well-known internet brands that are known more for flexibility than heft.¹

Established carriers may still be able to outperform emerging rivals. But to remain relevant, they have to get past outdated assumptions about what it takes to succeed. Increasingly, we see industry leaders rethinking their purpose and looking to alternative business models, along with the need to think about their companies’ structure.

Here we look at a few ways that business is changing. However different the new models may be for property and casualty (P&C) versus life and annuity, there’s a common theme: In this environment, flexibility and responsiveness matter more than ever.



¹ Hiebert, Paul. “CPG Industry Shines in New Report on Brand Trust,” Adweek, January 13, 2020, accessed on Factiva on March 30, 2021.

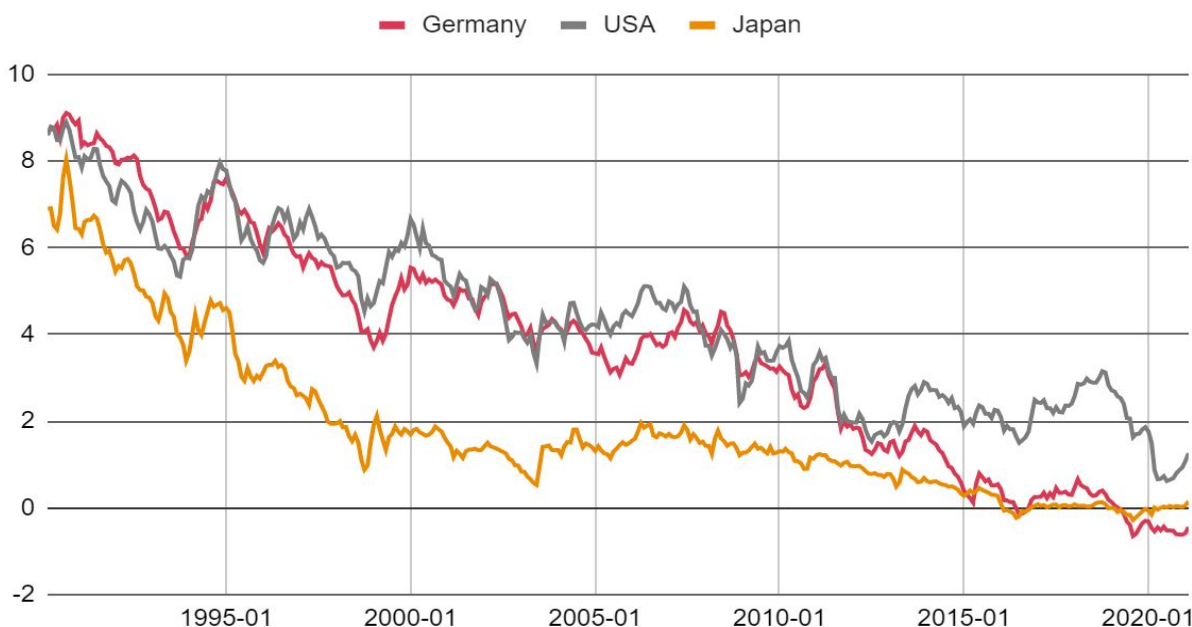
Restructuring the balance sheet

Do all the spinoffs and divestitures mean that insurance operating models are under stress? Yes. The distractions and inability to fund growth at scale, with interest rates at historic lows (see Figure 1)² and capital pressure, are forcing companies to rethink their models. As some companies exit, others are stepping in, often with different drivers and broader revenue sources. Some asset managers, for example, have expressed interest in expanding their assets under management through deals with insurers. Two key factors are driving this trend: asset managers are generally able to generate a higher risk-adjusted return on assets and more assets under management drives additional fee income. For some of the same reasons, private equity firms³ have also pursued insurance company deals.

But it's getting a lot harder to remain profitable with the traditional model. For many insurers, the key may be in becoming more flexible through a more sophisticated capital management structure.

Some companies may generate excess capital by ceding more business to reinsurers⁴ and others may set up new offshore entities or expand work with other companies to share risk in captive insurance arrangements.⁵ Over the next 12-18 months, we expect forward-looking insurers to aggressively reduce the capital intensity of their business as they make these kinds of strategic decisions. This could lead to some challenging questions as companies confront what their core business really is.

Figure 1: Long-term (10-year) sovereign interest rates: Germany, USA, Japan



² Organisation for Economic Co-operation and Development (2021), Long-term interest rates (indicator). doi: 10.1787/662d712c-en (Accessed on 29 March 2021)

³ PwC, "Considering an insurance company deal? Six lessons for private equity firms," November 2020, www.pwc.com, accessed March 31, 2021.

⁴ PwC, "Insurance deals insights: 2021 outlook," December 2020, www.pwc.com, accessed March 31, 2021.

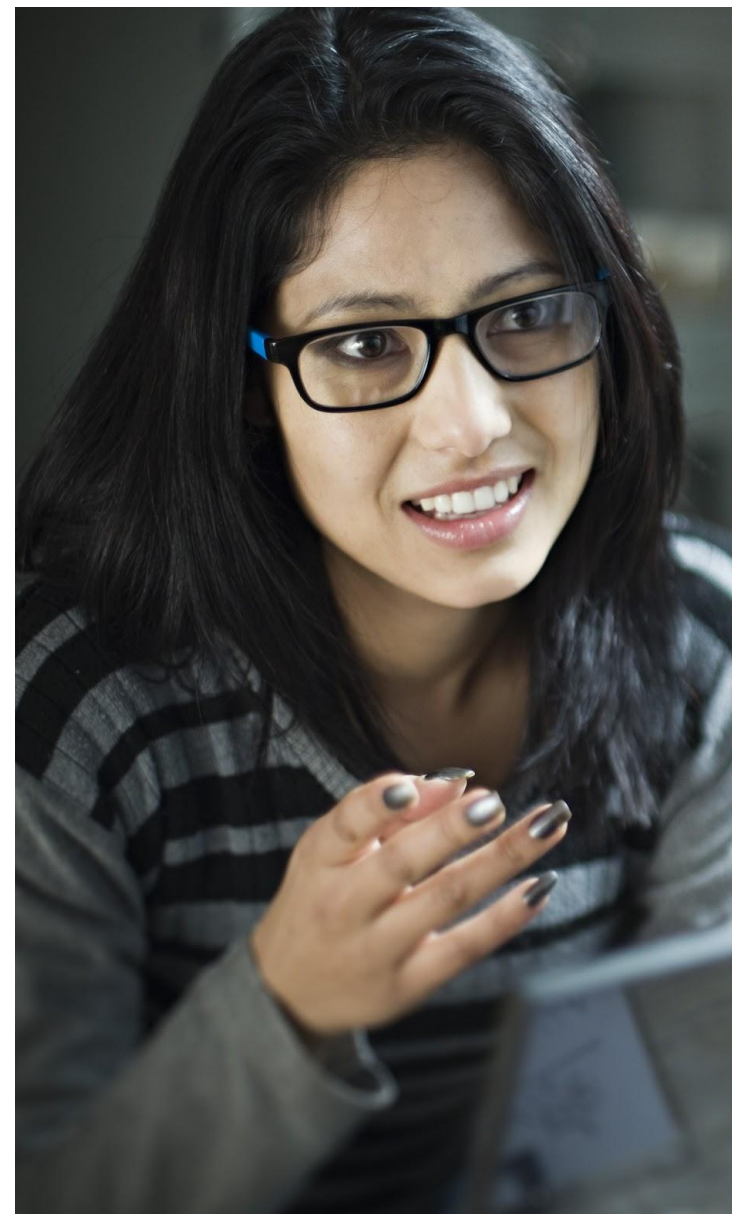
⁵ PwC, "Captive insurance," September 2020, www.pwc.com, accessed March 31 2021.

Rethinking product design: Adapting to pay-as-you-go

Most of today's insurance products are remarkably similar to those of a generation ago, underwritten with similar principles and sold through the same agents and brokers. But this static period could be coming to an end, led by the rise of usage-based insurance (UBI) and behavior-based insurance (BBI) policies.

Pay-as-you-go policies are still niche products, but they have attracted more attention during the pandemic. When people see their cars sitting unused for months, many wonder why they're paying for coverage they don't really need. Commercial tenants feel the same frustrations as they pay to protect unused office space. Other companies have had to manually adjust their workers' compensation coverage to reflect layoffs. There's a growing sensitivity to align insurance premiums with their perceived value.

In the early months of the pandemic, we saw some companies grant temporary rebates or refunds based on reduced risk exposures — sometimes at the behest of regulators. Most leading personal auto carriers have now introduced some sort of UBI/BBI program, though these tend to lean to offering discounts rather than recalculating premiums. Still, there are indications that new approaches are coming across the industry, and they could gain traction quickly with buyers who may feel that they're already paying for benefits they can't use. Meanwhile, even if revenue drops, insurers could see profitability increase as they use data more effectively to assess their true exposure.



Rethinking product design: New products, new requirements

In our [2021 CEO Survey](#)⁶, executives indicated that they will turn to new product launches as a major component of growth over the next year (see Figure 2). But launching an insurance product that's truly new is very different from rolling out a new smartphone, and building insurance products that policyholders perceive to be priced more fairly could be particularly difficult. Still, you'll want to avoid the temptation to follow someone else's lead, because this one will take more time than you think. You'll need to develop new technical competencies to do this, including different ways to assess, underwrite and price risk. You'll need to incorporate real-time information and be prepared to update your assessments continuously. You'll also need to assess how to market these products alongside your traditional offerings, given that premiums might drop — or you might choose to offer additional layers of protection for the same price, changing your products' competitive positioning.

Figure 2: Companies look to new products for growth

Top priorities for US CEOs to drive growth over the next 12 months



Q: Which of the following activities, if any, are you planning in the next 12 months in order to drive growth?

Source: 24th Annual Global CEO Survey

Base: 260 US executives, 1,779 global executives (weighted proportionate to country nominal GDP), January to February 2021

⁶ PwC, "24th Annual Global CEO Survey — US findings," March 2021, www.pwc.com, accessed March 31, 2021.

Rethinking product design: Customizing coverage

While the shift toward UBI/BI is likely to occur first in individual P&C policies, it's a logical fit across the P&C spectrum. We already see new and unique coverages throughout the inland marine market, and remote sensors could change the way companies evaluate risk for property in transit. These principles also apply more broadly, as accident and health (A&H) lines incorporate just-in-time coverage for travel and other defined behaviors. And in life and disability insurance, carriers are starting to get access to far more granular information about their customers' true exposure, drawing on data from fitness trackers and smartphones. Business clients may be willing to share behavioral data that shows they've lowered their risk, though they may have some privacy issues to navigate. Carriers may determine that they can earn a greater return from charging less by uncovering new and growing markets — if they can do so without inviting adverse selection. Clearly, there's a lot to learn here, and you'll want to give yourself adequate time to understand how to adapt pricing profitably for the period of time in which your customers use your products. It's not a good time to play catch-up.



Rethinking product design: Embracing fee-based services

It used to be a lot easier to earn healthy returns from premiums invested over time. But persistent low interest rates have affected investment portfolios throughout the industry subsectors. Capital-heavy life-annuity-group-retirement (LAGR) companies with long-tail risks have been hit particularly hard.

In [What US life insurers should do about low and negative interest rates](#)⁷, we noted that this closing vise has implications for strategy and sales, product pricing and in-force management, financial reporting and forecasting, balance sheet and capital, and enterprise and financial risk management. There has been intense pressure on publicly traded carriers to offer more attractive returns to shareholders. We expect many insurers will look for ways to step away from businesses that require so much capital as they rationalize their portfolio of businesses, cost-structure and even growth strategies. We've already seen carriers exiting non-core businesses through restructurings and divestitures. But when you start divesting the more capital-intensive products, you'll need to determine where your future growth will come from.

We expect a number of companies will look for growth in fee-based businesses, reversing the age-old paradigm that insurance is sold rather than bought. They'll need to find new ways to reach clients as they realign toward financial wellness and guidance. One promising path may be found in [the rise of insurance ecosystems](#)⁸, which can provide new ways of reaching customers who want to find out how they can live a fuller life — rather than how they can buy an annuity.

Mutual insurers and privately held carriers typically start with more flexibility than their public counterparts because their capital structure is more patient. They may begin to emphasize wealth planning over insurance and annuity products, in part because their typical client has a higher net worth. Whether they focus on financial health or estate and tax planning, we expect to see a number of companies redefining themselves in ways that go beyond traditional life and annuity products.

In P&C markets, this trend is still emerging. We've already seen insurers embedding natural complements like roadside assistance to their traditional policies, and carriers have been looking for ways to better monetize this capability and expand the services it could enable. Risk prevention and control is another promising area with the growing number of Internet of Things (IoT) sensors leading to a variety of new services like fee-based diagnostics. As ecosystems mature, we could also see some insurers move to a platform model, offering their core capabilities as a component of another firm's service.

⁷ PwC, "What US life insurers should do about low and negative interest rates," September 2020, www.pwc.com, accessed March 31, 2021.

⁸ PwC, "Top insurance industry issues in 2021: Insurance ecosystems provide companies the opportunity for a fundamental shift," March 2021, www.pwc.com, accessed March 31, 2021.

Integrating with business partners

An industry colleague once observed that some people are uncomfortable shopping for insurance because the product category itself reminds them of their own vulnerability. One way insurers can address this is through nontraditional selling relationships. In [Forces shaping insurance distribution](#), we highlighted efforts by P&C companies to embed their products in the new car and home sales processes.⁹ This can make the buying process virtually seamless, downplaying associations with potential loss.

But this trend is driven by data, not psychology, and it's one more reminder of why the growth of the digital economy is one of the brightest spots in the current [outlook for our economy](#) (see Figure 3).

To support the alternative business models of the future, you'll need to open your technology architecture to integrate differently, as is happening today with car manufacturers, home builders and a wide range of other businesses. Similarly, you'll need to work far more effectively in one or more ecosystems, with the ability to share information in real-time with other product providers, channel partners and customers. They'll also need to be prepared to ingest massive amounts of sensor data that are key to UBI and BBI coverage.

The key to effective underwriting is understanding behavior. With access to sensors that give information about how and when a driver uses a vehicle and how a homeowner uses and protects building systems, insurers can make far more informed decisions about risk. We're seeing similar developments in the LAGR and small commercial P&C markets, where innovative insurers have teamed with payroll services providers and other business services companies.

This represents a big shift in the sector as many insurers prepare for new ways of designing and distributing products that their legacy systems just can't handle. The issue is cultural as much as technical. Traditionally, insurers felt that they could engineer all the capabilities they might need to serve their customers. Now we're in a much more rapidly changing environment, where even the largest carriers may not have enough money or time to build a closed system with the kinds of capabilities they need to serve customers before markets have moved on.

Figure 3: Digital economy remains a bright spot in 2021

Growth opportunities outweigh risk concerns for CFOs



Q: How would you characterize the impact of these macroeconomic trends on your business model in terms of risk and growth opportunity?

Source: PwC US Pulse Survey, March 12, 2021: CFO base of 182

⁹ Ibid.

A time of adaptation and selection

There's an argument that the insurance industry changes through a process known as punctuated equilibrium. This idea, borrowed from evolutionary biology, assumes that the way business is done is relatively stable for long periods of time. Then, in a burst of activity, there's a period of relationships being broken up and natural selection taking place.

Punctuated equilibrium is apt here. Concepts like UBI and life insurers pursuing investment management aren't new. But we now have a particular combination of enablers — new capital sources, redesigned products, tech platforms built for interactivity and different ways of thinking about talent — that wasn't present until very recently. Taken together, these represent a threat to legacy industry participants — and a rare opportunity.

We've presented several different strategic paths that insurers might consider based on their sector, culture, core capabilities and resources. Just as 2020 served as an unexpected catalyst to some large changes to the way we work, more unpredictable disruption is inevitable. For insurers to thrive, they'll need to cultivate the capability to assess, pivot, partner, connect and reinvent themselves.

As the industry experiments with new business models, you'll want to quickly prioritize and explore the options that are most promising for your organization. You'll need to free up capital to invest in new directions. You'll want to explore different marketing messages so you learn what aspects of new product design will be most relevant to buyers. In other words, there's a lot to do and not a lot of time to do it.

At a time when private equity capital is flooding into the industry and InsurTechs keep honing their offerings, legacy players are feeling the pressure. But we're also seeing signs that leaders are preparing for this reinvention. Insurers have the domain expertise, the brands and many of the capabilities that give them the power to win. If they can build the flexibility to adapt to alternate business models, they'll help new generations of businesses and families manage risk and pursue opportunity.

Contacts

Bruce Brodie

Managing Director, Insurance Business,
Operations and IT Strategy

PwC US

bruce.brodie@pwc.com

Marie Carr

Global Growth Strategy, Financial Services

PwC US

marie.carr@pwc.com

Michael Mariani

Principal, Insurance Advisory
PwC US

michael.j.mariani@pwc.com

Francois Ramette

Principal, Insurance Advisory
PwC US

francois.ramette@pwc.com



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