ICMIF

February 7, 2024

The Future of Insurance Workforce

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Building a better working world

Agenda

> Outlook for the insurance sector

> How insurance roles and skills are changing

> Breakout discussion

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Outlook for the insurance sector

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EY's Global Insurance Outlook focuses on three issues that are driving the strategic agenda in markets around the world

Preparing for the transformative impact of AI

Generative AI (GenAI) promises to revolutionize **risk assessment, claims processing, marketing, sales and service** and other essential aspects of the business.

Spotlight on delivering societal value

Product innovation, new business models and purposeful investments can help insurers unlock growth.

Ever-evolving customer needs and blurring industry lines

Evolving customer needs can be the strategic "north star" for all types of insurance companies.
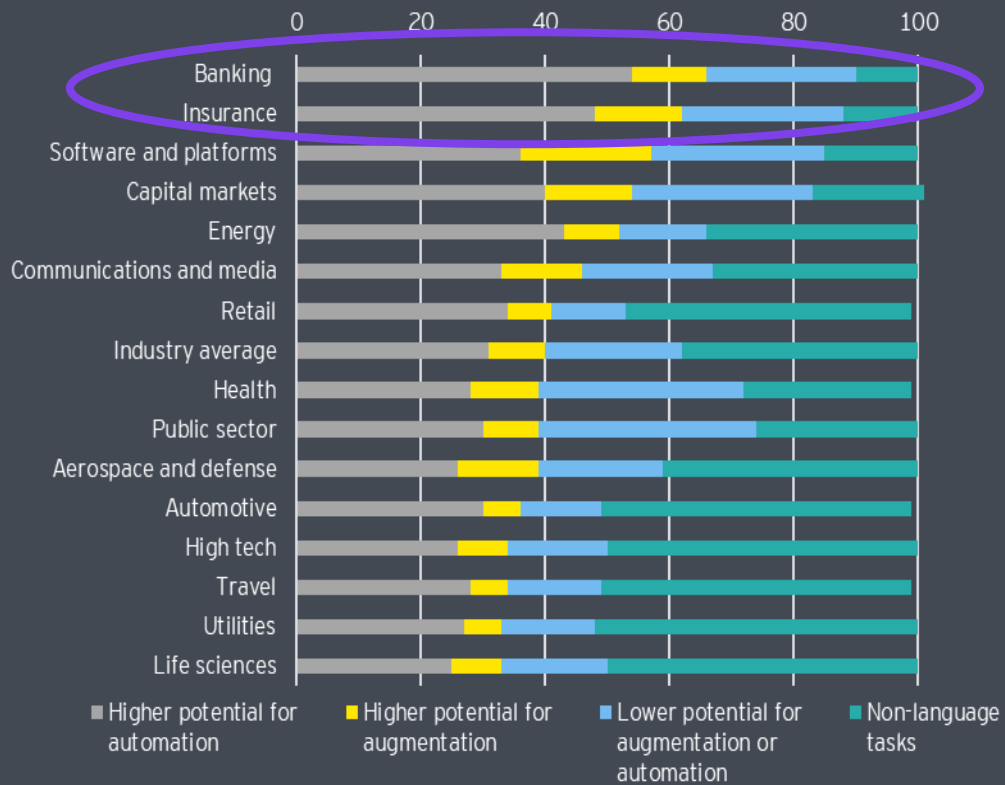
Insurance is forecast to be at the heart of Generative AI disruption challenges
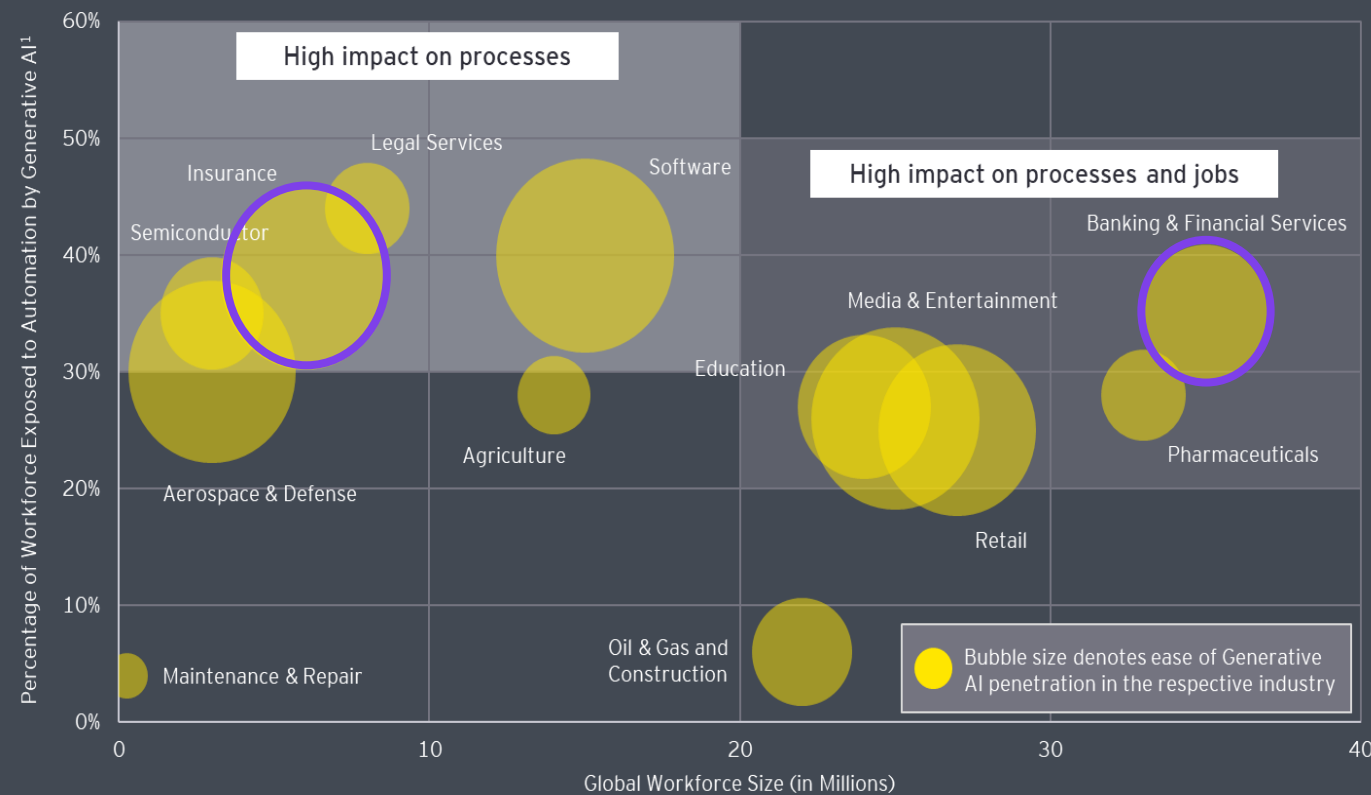
We think Generative AI will be a **big disruptor** as it has the potential to **automate numerous human-aided tasks** across industries, especially in Insurance and Banking.

Work time distribution by industry and potential AI impact[1]

Industries (top to bottom): Banking, Insurance, Software and platforms, Capital markets, Energy, Communications and media, Retail, Industry average, Health, Public sector, Aerospace and defense, Automotive, High tech, Travel, Utilities, Life sciences

Legend:
- Higher potential for automation
- Higher potential for augmentation
- Lower potential for augmentation or automation
- Non-language tasks

Over 60% work hours are susceptible to automation or augmentation with human tasks, in the Banking and Insurance industries[1]

Level of workforce exposure to Generative AI's capabilities

Y-axis: Percentage of Workforce Exposed to Automation by Generative AI[1]
X-axis: Global Workforce Size (in Millions)

High impact on processes

High impact on processes and jobs

Industries shown: Insurance, Semiconductor, Legal Services, Software, Banking & Financial Services, Media & Entertainment, Education, Agriculture, Aerospace & Defense, Retail, Pharmaceuticals, Oil & Gas and Construction, Maintenance & Repair

Bubble size denotes ease of Generative AI penetration in the respective industry

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Preparing for the transformative impact of AI

The top 4 generative AI capabilities that insurance companies typically leverage are:

Content Generation
- Automatically generate responses to customer inquiries
- Generate personalized UI for your website

Knowledge Mgmt. & Summarization
- Create knowledge-based articles
- Summarize customer conversation
- Document content summarization
- Question & Answer

Semantic Search & Reviews
- Question & answer
- Cognitive and semantics search
- Search reviews for a specific product/service
- Information discovery and knowledge mining

Code Generation & Conversion
- Auto convert programs from one language to another
- Auto document legacy and modern code
- Generate SQL queries and apps
- Convert natural language to query proprietary data models

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Spotlight on delivering societal value

Business priorities for making a positive societal impact

- Managing **seasonal peaks** in claims and high peaks when there are major events effectively

- More **understandable, affordable and accessible** products

- Collaborations for **increased financial security** and wellness for more citizens

- Enhanced protection from climate risk and services to facilitate the transition to a **greener economy**

- Increased **engagement with regulators** and more detailed ESG reporting
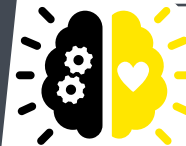
Impact on HR practices

Employee value proposition

Hiring practices that enable a more diverse workforce

Non-traditional employment

25% of top 500 US companies say they will actively recruit neurodivergent talent by 2027

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Evolving customer needs and blurring industry lines

Emerging trends in the sector to address evolving customer needs

- Explore more **flexible product design**, with modular, add-on features

- Evaluate options and impacts of **embedded insurance**

- Look for ways to **help financially stressed consumers** with tight budgets

- Responsible use of **customer data to enhance products and services**

- Explore **ecosystems partnerships**, both from an Insurtech, as well as cross-industry perspective
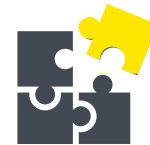
Impact on HR practices

Redesign of overall operating model, organization structure and roles

Shifts in skillset and hence upskilling/reskilling

Concurrent employee experience and customer experience design

71% of insurers say existing ecosystems are critical to their company's success

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How insurance roles and skills are changing

Shifting industry trends are reshaping business capabilities across the value chain..

We expect efficiencies in the 'core' insurance competencies of underwriting and claims, but with increased data skills in hybrid roles: data remains a key asset for decision-making to predict trends, rethink products and services and scale capabilities.
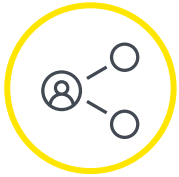
Distribution

- Increase in **personalization** with AI algorithms supporting brokers or digital channels to tailor offerings to individual behaviour and needs
- Increased **digital channel** take up in the personal lines space, though Canada continues to lag comparable economies
- Upskilling, supported by tech, to take advantage of cross-selling opportunities to drive higher share of wallet (e.g. **multi-product**)
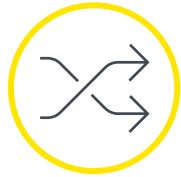
Underwriting

- Increased use of underwriting rules and automation to drive **straight through underwriting**
- Innovate **new types of products and coverages,** with innovation reducing pure price competition
- Increased focus on deep **technical and specialist** industry knowledge
- Strengthen data analytics skills within and applied to underwriting

Actuarial & Pricing

- Customer expectations drive a move to more **real-time pricing** across non-complex risks
- Adopt a **data driven and technology focused** approach to manage more complex challenges such as parametric insurance
- Incorporate **artificial intelligence** (AI) to assist statistical analysis with transparent machine learning-based models with full traceability
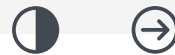
Claims

- Foster **self-serve** in the claim journey where appropriate, such as portal use, regular push notifications etc.
- Increased automation in existing manual tasks, via a combination of robotics and AI, particularly impacting 'entry roles'
- Roles will be focused on technical expertise and customer service skills to **handle complex cases**

Loss prevention

- Ensure a robust capability to proactively manage loss prevention and fraud through **prediction and prevention**
- Define the skills and practices required to reduce the frequency and severity of losses, both for insurer and insured. **Embed the skills required** across the **insurance value chain**, e.g. considering loss prevention in marketing, distribution, pricing etc.

Level of skills change

Low   Moderate   Major

Role Volume outlook

Declining   Constant   Increasing

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How are the changes impacting specific roles?
Zoom in on the strategic shifts for a key role: Underwriter

According to the BLS*, the Underwriter role will see a decline of ~4% from 2021 – 2031

The Underwriter role title may no longer be as relevant as it is today

The future Underwriter success profile requires significant upskilling due to the major skills gap

|	**Today**	**In the coming years**
Job Title	Insurance Underwriter, Group Underwriter, Liability Underwriter, Property Underwriter	Digital Underwriter, Algorithmic Underwriter
Main responsibilities	✓ Assess insurance risks, decide whether or not insurance should be offered and determine the pricing of premiums in accordance with authority ✓ Determine policy terms, write quotes and negotiate terms with brokers and clients ✓ Providing input on settlement of claims ✓ Build and maintain relationships with brokers and clients	✓ Build data models to facilitate and automate risks analysis ✓ Use advanced systems supported by machine learning and deep learning to make ex-ante decisions on insurance applications and pricing ✓ Be able to wear several hats, such as Data Scientist, Data Pioneer, Portfolio Optimizer ✓ Build and maintain relationships with brokers and clients
Required experience and skills	✓ Previous experience within administrative, case management or underwriting roles ✓ Strong analytical skills ✓ Proficiency in the use of underwriting tools ✓ Good market knowledge of underwriting practices ✓ A good eye for detail and accuracy ✓ Demonstrated commercial and negotiation skills	✓ Previous experience within underwriting or tech roles ✓ Data oriented with advanced technical capabilities ✓ Hands-on experience on digital tools: Python, R, SAS, Apache Hadoop, TensorFlow, MS PowerBI, UI Path, Blue Prism, Selenium ✓ Insurance domain knowledge ✓ Demonstrated commercial and negotiation skills

*: Bureau of Labour Statistics

How are the changes impacting specific roles?
Zoom in on the strategic shifts for a key role: Underwriter

The existing Underwriter must have strong analytical and soft skills. The current role includes some administrative tasks that will soon be fully automated. Some emerging qualifications include data and process optimization that are becoming more and more predominant. The future Digital / Algorithmic Underwriter moves towards strong computer programming capabilities.
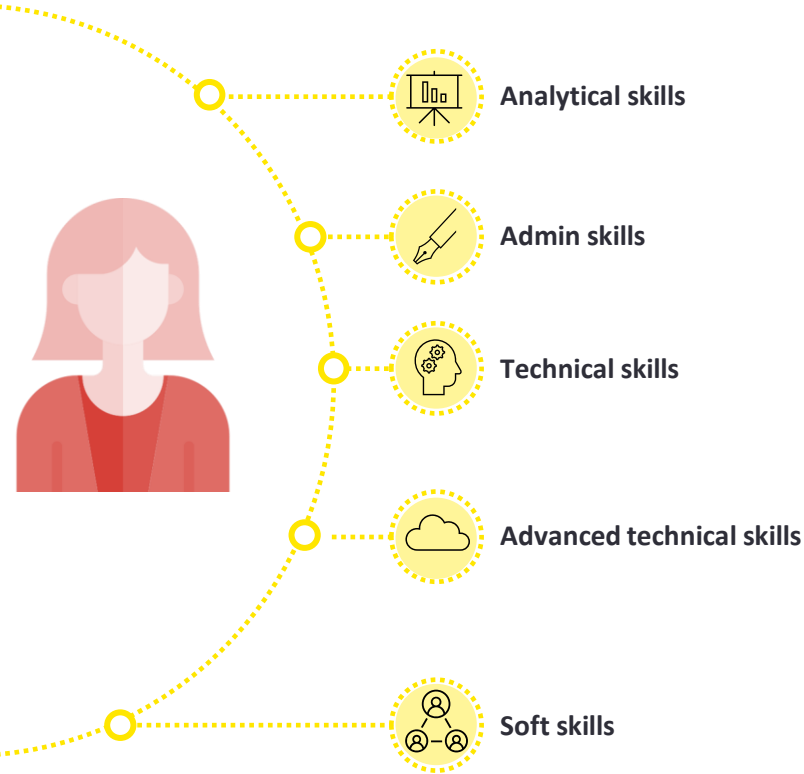
	Today		In the coming years	
Analytical skills	Risk Analysis	Financial Analysis	Risk Analysis	Financial Analysis
	Mathematics and Statistics	Pricing	Mathematics and Statistics	Pricing
Admin skills	Writing and preparing policies		Writing and preparing policies	
Technical skills	Data Analysis / Interpretation	Process Optimization	Data Analysis / Interpretation	Process Optimization
			New Product Development	
Advanced technical skills			Artificial Intelligence	Robotic Process Automation
			Machine Learning	Advanced Data Analytics
			Intelligent Automation	
Soft skills	Sales / Negotiation	Customer Service	Sales / Negotiation	Customer Service
	Communication	Detail Oriented	Communication	Detail Oriented

Existing   Emerging

Declining   Maintained   New

.. And across supporting functions

Supporting functions need to balance operational cost pressure with an increasingly complex landscape to navigate

Finance

- Drive competitive advantage as a **strategic and responsive partner**
- Enable real-time dashboarding by improving the financial **reporting** and increasing **transparency** following **IFRS 17**
- Build a skilled team that is **proficient in tools** such as automation and data analytics
- Need for **increased understanding across** Finance, Actuarial and IT

Technology

- Integrate the **Internet of Things (IoT)** into insurance offerings by including the use of telematics, wearables and sensors. These will assist insurers to focus on loss prevention rather than fix and repair
- **Supplier ecosystem management** will become a core competency
- Support transition to more specialist roles due to increasing migration to **cloud technologies**

Data Analytics

- Improve **contextual analysis** to assess trends and patterns to extract valuable insights
- Support **cloud innovation** to support the shift to real-time data
- Diversify **sources of data**, leveraging external, as well as internal data in decision making. Manage complex data ecosystem
- Facilitate **decision-making process** through insights, not data manipulation

Compliance & Privacy

- Strengthen **risk management** to prevent data and privacy breaches
- Implement **robust privacy policies and security measures** to protect personal information from unauthorized access, use, disclosure, or alteration
- Consider how **AI and analytics** can be used to improve efficiency and effectiveness of Compliance, as well as controls required to oversee AI and automation

ESG

- Put **climate change** at the center of business decisions by prioritizing decarbonization initiatives and sustainable investments to reduce negative impacts
- Accelerate **equity and inclusion**, **e**thical business conduct, workforce diversity
- Set up **effective governance structures** and demonstrating transparency through regular public disclosures

Level of skills change

Low   Moderate   Major

Role Volume outlook

Declining   Constant   Increasing

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Talent strategies need to consider roles and skills changes

Talent Strategy

Role Volume Outlook

Increasing
- Loss Prevention
- Data Analytics
- ESG
- Technology

Re-define, attract and develop

Constant
- Actuarial
- Distribution
- Compliance & privacy

Retain and evolve

Declining
- Claims
- Finance
- Underwriting

Manage career journeys and upskill

Low · Moderate · Major

Level of skills change

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Breakout Discussion

Where do you think the biggest changes will be in roles and skills?

To what extent do you see roles and skills changing on a 5-year horizon for your organization?

How well equipped are HR and L&D to support this transition?

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