TransUnion

2022 Insurance Trends and Outlook Report

Get a first look at the trends, challenges and opportunities reshaping the property, casualty and life insurance industries

If the story of 2020 was the COVID-19 pandemic, then 2021 was the year when the insurance industry found a new normal. For insurance carriers this has been a period when existing trends, especially concerning online applications and data-driven underwriting, rapidly accelerated, taking hold across the industry. These changes were in many ways quickened by the pandemic, although in origin they predated it.

TransUnion sees three major broad market trends that have changed the insurance industry over the past 18 months, and expects them all to develop and mature:

Digitization across the policy lifecycle to meet customers' expectations of personalized, secure digital experiences as they shop or service their policies.

Calls for social equity and fairness, which have caused both consumers, regulators and the industry itself to take a closer look at some insurance industry practices, including credit-based insurance scores.

New technologies and emerging non-traditional data sources have the potential to push the industry in new directions.

In this report, we'll see how these trends are transforming the business of life, personal and commercial insurance carriers.

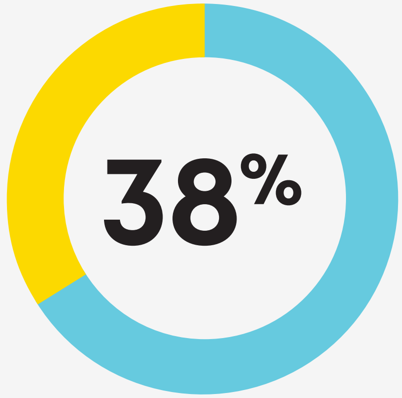
Life insurance: Accelerated underwriting transforms shopping

The most important trend in life insurance has been the continued shift to accelerated underwriting, driven by access to credit-based insurance scores and other third-party data. More and more consumers are able to bypass the traditional underwriting process, with its long approval times and invasive medical exams, and are shopping through online channels that in many cases can approve new policies within minutes. In fact, 35% of survey respondents who shopped for life insurance in the past year received their quote through a company's website or app.[1]

Carriers in particular are growing more comfortable with digital sales channels, increasing the value of the policies that can be purchased in this way. In fact, while in the early stages of the technology's rollout, many companies limited such policies to face values of $250,000 or less, but now some carriers are issuing new policies online of up to $1 million.

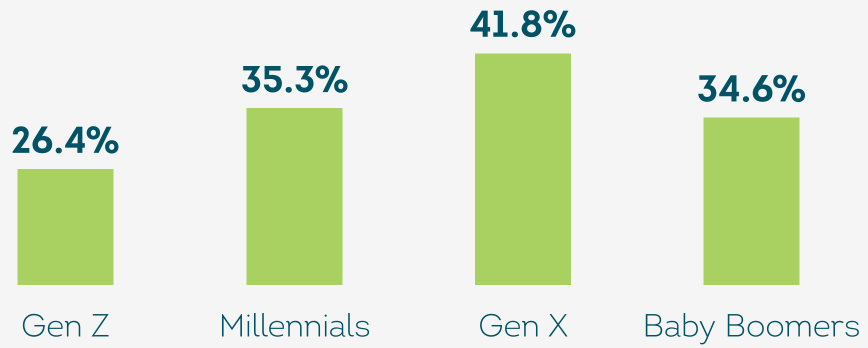
While not all customers will qualify for life insurance policies based on third-party data alone – a subset may be referred to traditional underwriting to have their applications completed – that still leaves a substantial majority of applicants who can enjoy a tremendously improved customer experience and easier access to financial security, which is significant given the majority of consumers surveyed cited family protection or financial management as the most important factor in their decision to purchase life insurance.[1]

The COVID-19 pandemic increased life insurance buying overall and through digital channels specifically. Two possible explanations are that 1) consumers' heightened concerns about mortality may have made them more likely to shop for life insurance and 2) that they were reluctant to spend time with a stranger in their home during the pandemic.



of consumers shopped for life insurance because of the COVID-19 pandemic[1]

Consumers receiving life insurance quote via company website or app[1]



Looking forward, many carriers will be reevaluating their channel mix, asking themselves whether they need to shift away from sales postures centered around agents, and whether they should be creating their own direct-to-consumer sales websites and apps.

For customers who are moving to digital channels, particularly younger ones, more research is warranted to determine what is most appealing about those channels. Do they, for instance, prefer a wholly automated experience or would they like to receive guidance from a live agent via chat? A balanced approach will be needed to meet consumers where they are most comfortable.

And while much of the discussion around data and analytics for accelerated underwriting has focused on individual consumers, these techniques are starting to be used in the group life market as well, which is focused on employers buying policies for their workforces. This is an area prime for innovation and is worth keeping an eye on.

What about regulations?

On the regulatory side, the use of third-party data has raised questions about fairness and equity. A few states like Colorado and New York have reminded states that the use of external data should not be unfairly discriminatory. While prior studies[2,3] show the use of insurance scores is not unfairly discriminatory and allows for better matching of prices to risk, we believe that an educational campaign for consumers and regulators can successfully alleviate many of these concerns.

In particular, accelerated underwriting processes, driven in part by insurance risk scores, expand the availability of insurance in many cases because they enable life insurance applications to be simpler and more accessible to customers who might not be comfortable with the traditional insurance buying process.

Additionally, these data-driven processes oftentimes replace factors that figure into traditional underwriting, to the advantage of the customer.

The industry is also keenly interested in financial inclusion and working together to ensure fairness. Educating invested parties on the benefits for consumers will allow the industry to continue moving forward.