U.S. Insurers Adapting to Swift Technological Advances, Say Industry Forum Panelists

Driverless Cars, the Sharing Economy and Cyber Liability Are Changing the Business

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NEW YORK, January 15, 2016 — Home, auto and business insurers have adapted successfully to the evolving risks brought about by dramatic technological changes, according to a group of panelists who convened at the 20th annual Property/Casualty (P/C) ***Insurance Joint Industry Forum***, held here on January 12.

The Forum's *Experts Panel: A View from the Outside Looking In*, chaired by Charles M. Chamness, president & CEO of the National Association of Mutual Insurance Companies, looked at how technological advances are changing the business.

“Insurers need to think differently about exposures and how to craft products for a changing world,” said Hemant Shah, co-founder and CEO of Risk Management Solutions (RMS), which provides catastrophe modeling services to the global insurance and financial services sector.

Home insurers, Shah continued, may see claim severity rise due to the growing electronic interconnectedness of U.S. residences. He mentioned a scenario whereby a thermostat’s malfunction could lead to burst pipes because of a software glitch. It was noted that Google’s Nest has secured insurance partners who share an interest in accessing real-time information about a home’s operations.

But changes loom for auto insurers, too. “There’s no way you can tell me we’re going to have more accidents 10 years from now,” said Brian Sullivan, editor and publisher of *Auto Insurance Report*. Even though driverless cars are decades away from becoming a common sight on U.S. roadways, devices like advanced warning systems have made the nation’s roadways safer than ever before.

Moreover, the number of auto collisions are likely to drop, the panelists agreed, as driverless cars reduce auto accidents caused by driver error. Sullivan also praised auto insurers for adapting to the entry of transportation network companies (TNCs), such as Uber, by creating hybrid policies which cover drivers when they are using their private-passenger vehicle for both personal and commercial purposes. Home insurers have made comparable strides in the home sharing arena as companies like Airbnb have grown in popularity, it was noted.

These rapid changes within the U.S. economy, however, will impact those who are employed by P/C insurers. “The need for people in the personal lines business is going away,” said Michael Pritula, a Director of McKinsey & Company, citing the growing use of digitization and advanced analytics among U.S. auto and home insurers. Pritula said he thought the size of business insurers’ payrolls would change more slowly because assessing commercial risks, such as cyber liability, pose a more daunting challenge to insurers and will require additional manpower.

“Cyber could be fatal,” North Dakota Insurance Commissioner Adam Hamm stated, elaborating on how a small to mid-sized insurer who writes a cyber liability policy for which it receives a substantial claim, and then does not have the resources to pay that claim, could see its solvency threatened.

In the wake of significant data breaches in 2015, and the growing demand for cyber liability insurance, Commissioner Hamm, chair of the National Association of Insurance Commissioners (NAIC) Cybersecurity Task Force, said the NAIC is giving regulators more tools to assess insurers' cyber liability risks. For instance, starting in first quarter 2016, insurers offering cyber coverage must disclose to regulators additional details about their cyber liability book of business.

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