

Covid and Its Lasting Effects



Expectations

- NOT a discussion of “long covid”
- Discussion of how Covid Pandemic impacted
 - Insurance agencies
 - Insurance companies
 - Our insureds

What might be some of the ongoing issues that will remain

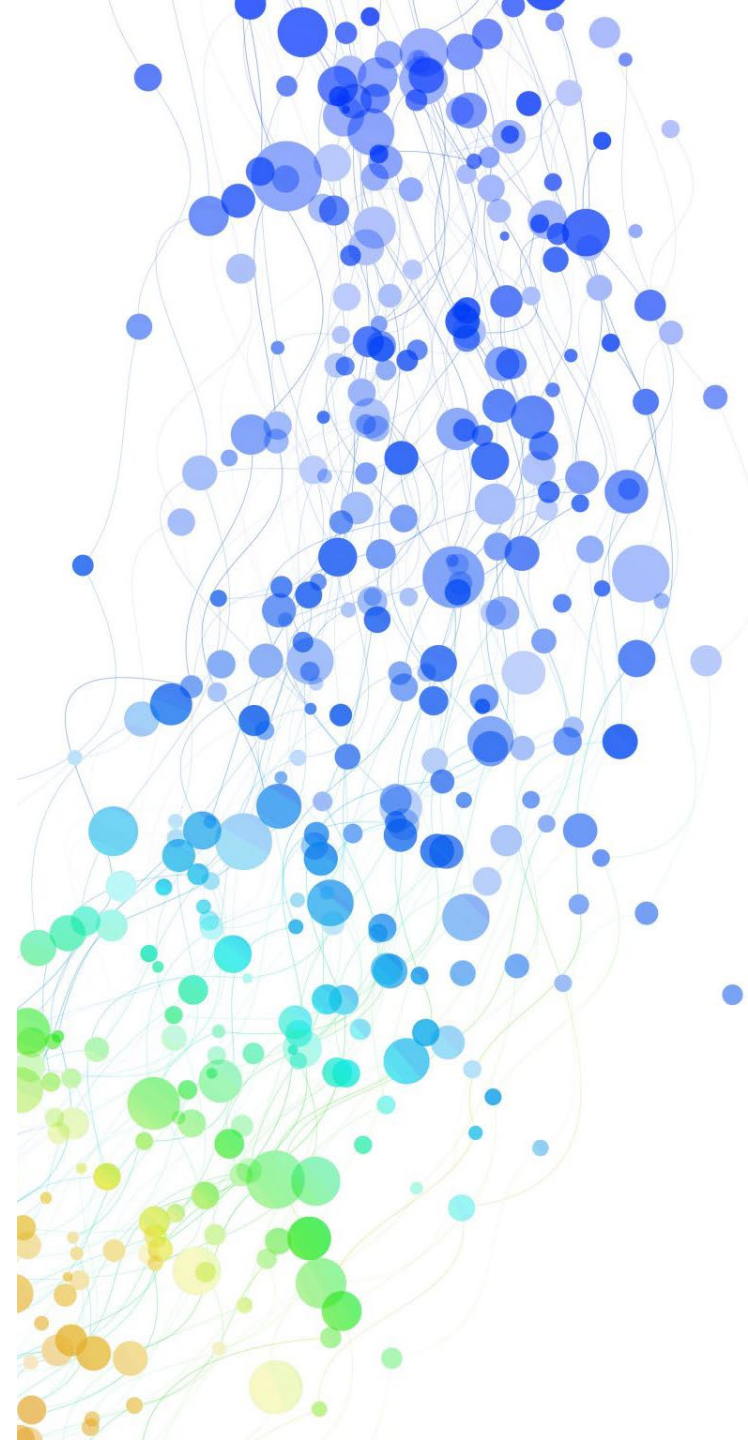
What the immediate future may hold



Just So We Can All Agree

- Covid-19 was a term shortened from “Coronavirus Disease 2019”
 - Multiple sources
- Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus.
 - World Health Organization
- COVID-19 (coronavirus disease 2019) is a disease caused by a virus named SARS-CoV-2.
 - Center for Disease Control & Prevention
- A mild to severe respiratory illness that is caused by a coronavirus (Severe acute respiratory syndrome coronavirus 2 of the genus Betacoronavirus), is transmitted chiefly by contact with infectious material (such as respiratory droplets), and is characterized especially by fever, cough, loss of taste or smell, and shortness of breath and may progress to pneumonia and respiratory failure
 - Merriam-webster.com

Impacts on Various Segments Of The Insurance Industry

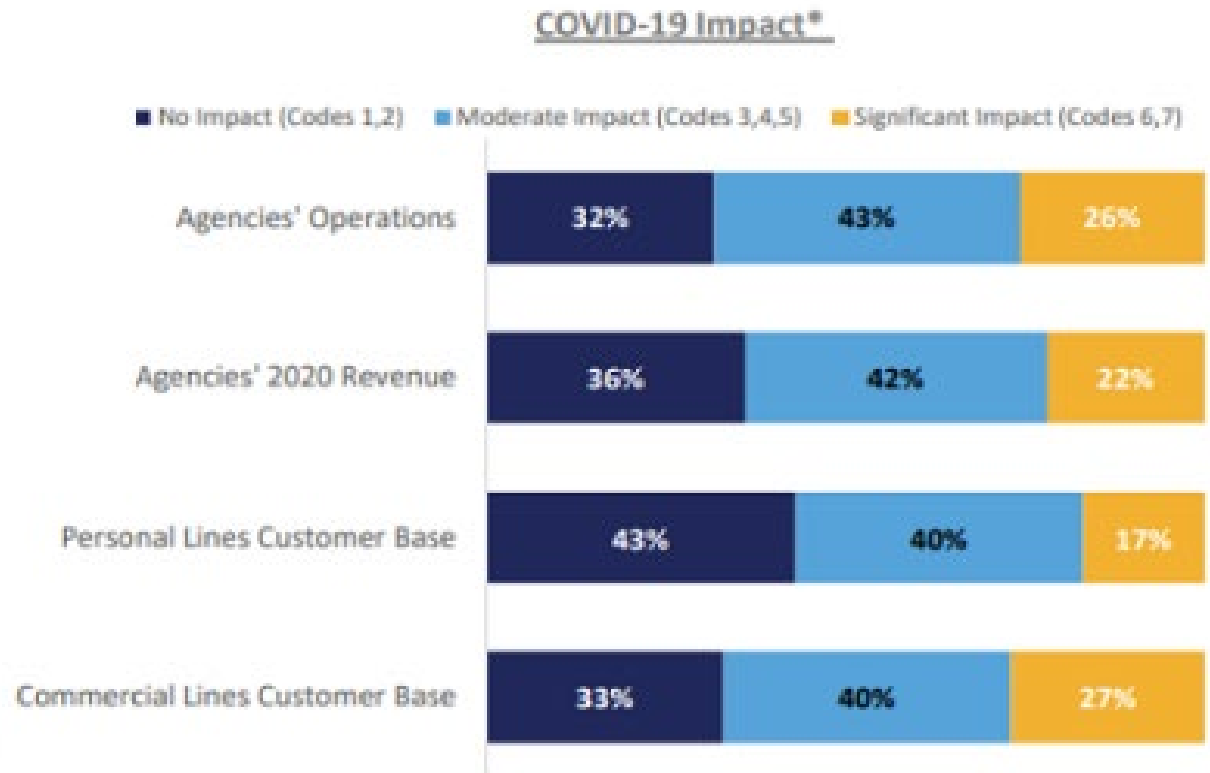


Insurance Agencies

- Smaller agencies suffered greater revenue losses than larger agencies (based on a percentage of revenues)
- Often attributable to smaller agencies derive more revenues from PL
- Nationally, about 50% of agencies had decreased revenues
- Agencies with disaster plans in place managed better results than those without such
- Geographic locations of the agencies affected costs as well



Covid's Impact On Agencies



Source: 2020 Agency Universe Study COVID-19 Impact Summary, Big "I"

Covid Impact On Pay & Staff

Insurance Companies

- Conservative in nature – insurers reacted (overall) with greater shutdowns than agencies
- They were slower to have people come back “to the office”
- Personal lines premium reductions – some required by DOIs – some by a lack of driving/commuting
- Some increase in PL exposures (dwellings) as many people staying home decided to remodel and upgrade their living spaces

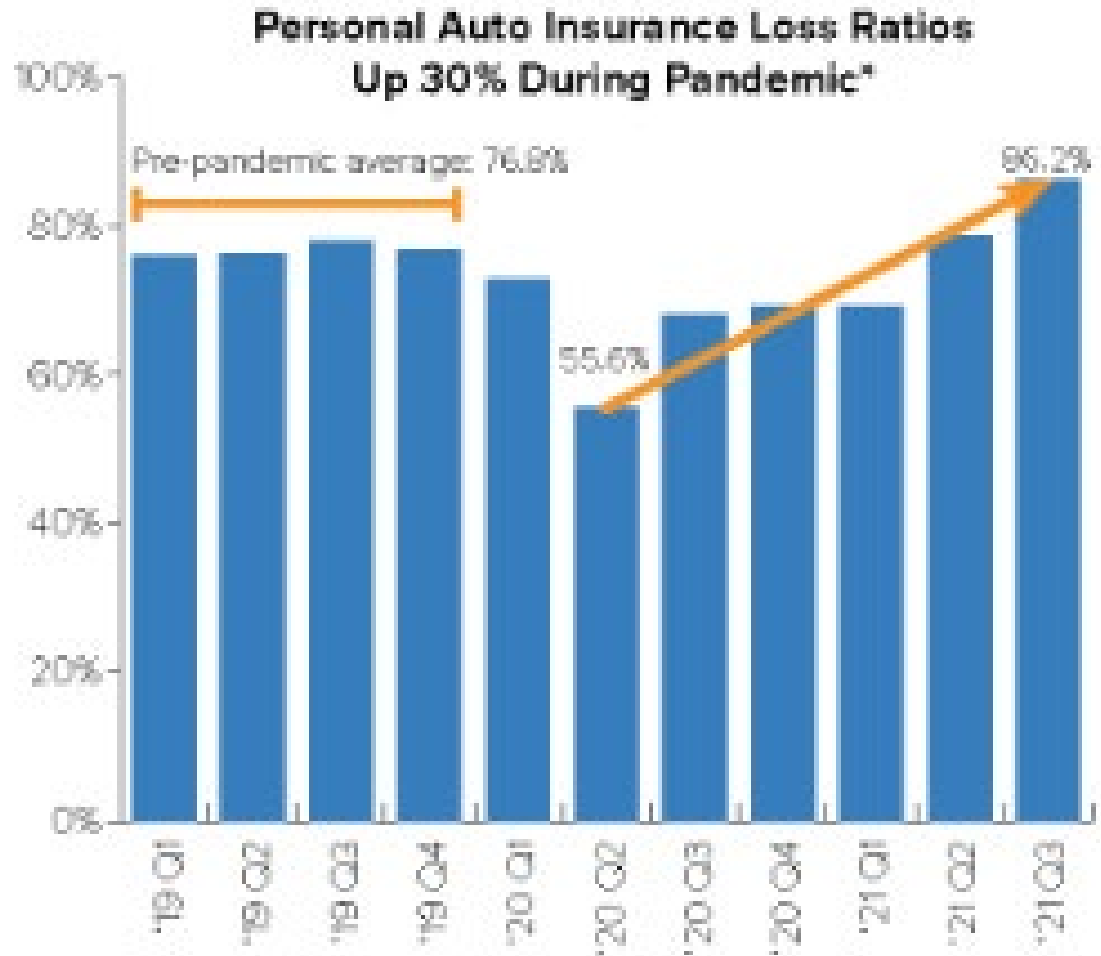
Auto
Insurance
Premiums
iii.org

Motor vehicle insurance premiums, all urban consumers, seasonally adjusted



[U.S. Bureau of Labor Statistics](#)

PAP Loss
Ratios
iii.org



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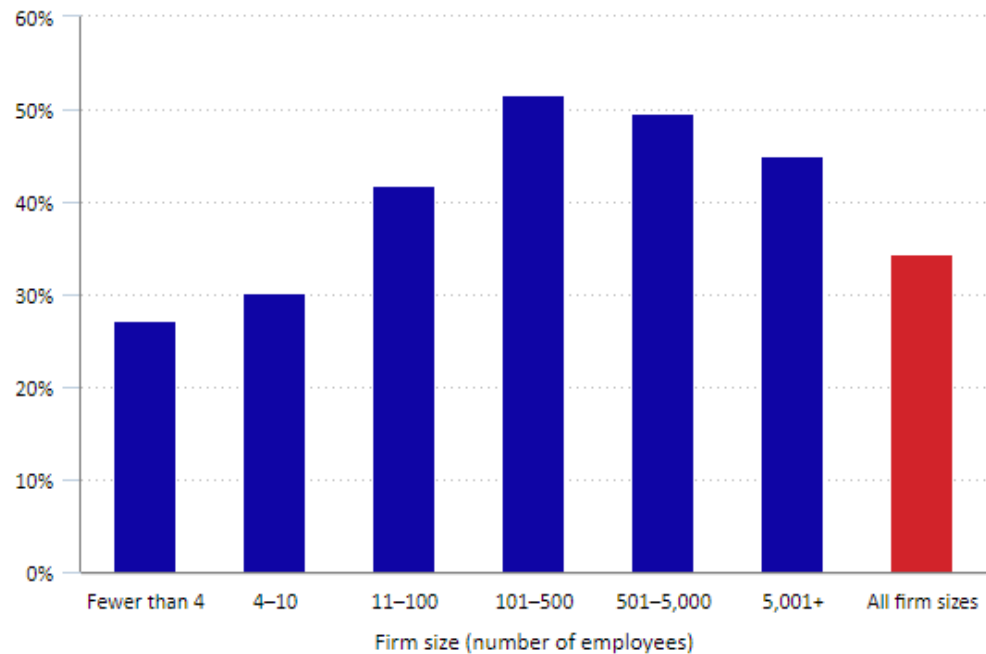
Insureds

- Similar to agencies – their responses varied
- Some lost jobs and work based upon their industry
- Some maintained full employment based on their industry
- Businesses often made claims base on lost revenues based on the shutdown of their operations due to governmental interventions and requirements
 - Multiple lawsuits (nationally & locally) came about because of these losses
 - Vast majority of business income losses were found to be excluded from coverage as the insureds were unable to show “physical damage to property”



Telework Increase By Business Size

Percent of establishments that increased telework for some or all employees, by firm size, March 2020–September 2021



Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

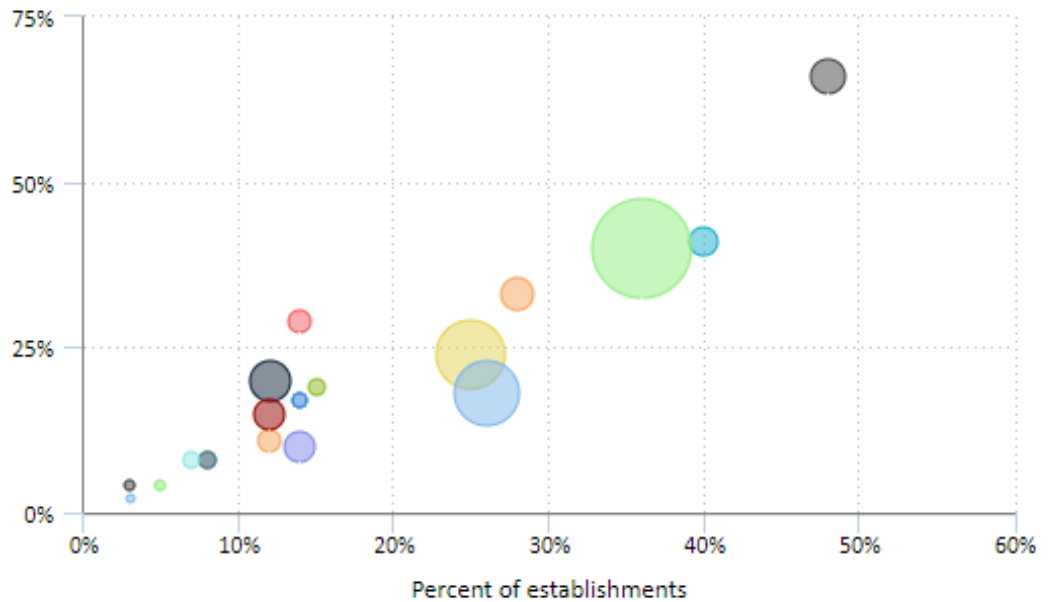


Government Mandated Closures

Percent of establishments that experienced a government-mandated closure, by industry

- Agriculture, forestry, fishing and hunting
- Utilities
- Manufacturing
- Retail trade
- Information
- Real estate and rental and leasing
- Management of companies and enterprises
- Educational services
- Arts, entertainment, and recreation
- Other services, except public administration
- Mining, quarrying, and oil and gas extraction
- Construction
- Wholesale trade
- Transportation and warehousing
- Finance and insurance
- Professional and technical services
- Administrative and waste services
- Health care and social assistance
- Accommodation and food services

Percent of industry employment in these establishments



Similarities – Agencies & Insurers

- Greater reliance on technology and digitization
 - (defined on next slide)
- More overall automation
- Agencies sent people home to “work from home”...RESULTS
 - More laptops and related peripherals being sent home with employees to facilitate their working situations
 - More “Zoom”, Webex, Go-To, Microsoft Teams and the like
 - Reduction in face-to-face meetings – both in the office and in education - this causes an overall concern regarding the “culture” of a business (hard to measure and address definitively)

Technology or Digitization...or Both

- **Technology**

- The application of scientific knowledge for practical purposes, especially in industry
- EG: advances in computer technology

- **Digitization**

- The conversion of text, pictures, or sound into a digital form that can be processed by a computer
- EG: the digitization of a rare map collection at the library

Similarities or NOT

- According to KPMG – 96% of insurance company CEOs attribute their organizations increased uptake in technology to Covid
- Repetitive tasks have become significantly more automated
- Scaling of insurance and insurance practices through the use of artificial intelligence
 - Initial claims intake
 - Smaller PD types of claims handle with minimal personal intervention
 - Simpler underwriting tasks undertaken by AI



Future and Continuing Impacts

Carriers and Agencies – Same Pain

- Less reliance on “office space”
 - Is hybrid work a help or a hindrance
- Some working with reduced personnel due to turnover issues that were exacerbated by Covid
 - Some will be relaxed – some will not
- Finding qualified employees remains a significant challenge
 - Greater demand for training
 - Those entering the workforce may require different support than past hires



Agency Help Needed

Areas Needing Support Due to Pandemic*

% Selected as Top 3



Source: 2020 Agency Universe Study COVID-19 Impact Summary, Big "I"

The Challenges At Home...and Beyond

- There was a significant impact on learning among children
- Many areas had a reduction in the investment in education
- Very little learning went on with “distance learning” efforts
- Less “social learning” as well – less social development
- Much questioning and differing “feelings” around safety
- Lack of early employment impacts employees and employers moving forward

Economic Impacts Still Being Felt

- Employment issues
 - Delayed learning over the last couple of years
 - This impacts daily work efforts
- Income issues
 - Inflation cannot be ignored – has caused impact in both earning needs and demands and expectations
- Increased rates of depression
 - Demand for mental health treatments is up
 - Covid's impact seems to be the gift that keeps on giving

Future Of Insurance



What We Know For Certain

- There will continue to be an increased reliance on technology
- Having the “human touch and element” is believed to be in greater demand now than ever before
- The stress of Covid hijacked many businesses corporate strategies – just now many are getting their focus back
- Some will win – some will lose – none will do it all alone

What Is Believed To Be Needed

A Healthy Approach Is Needed

Mentally

Physically

Emotionally

Spiritually

Relationship based – at work and home

Final Notes

IBM Report on Trending Insights

Executives are looking inward in the wake of COVID-19

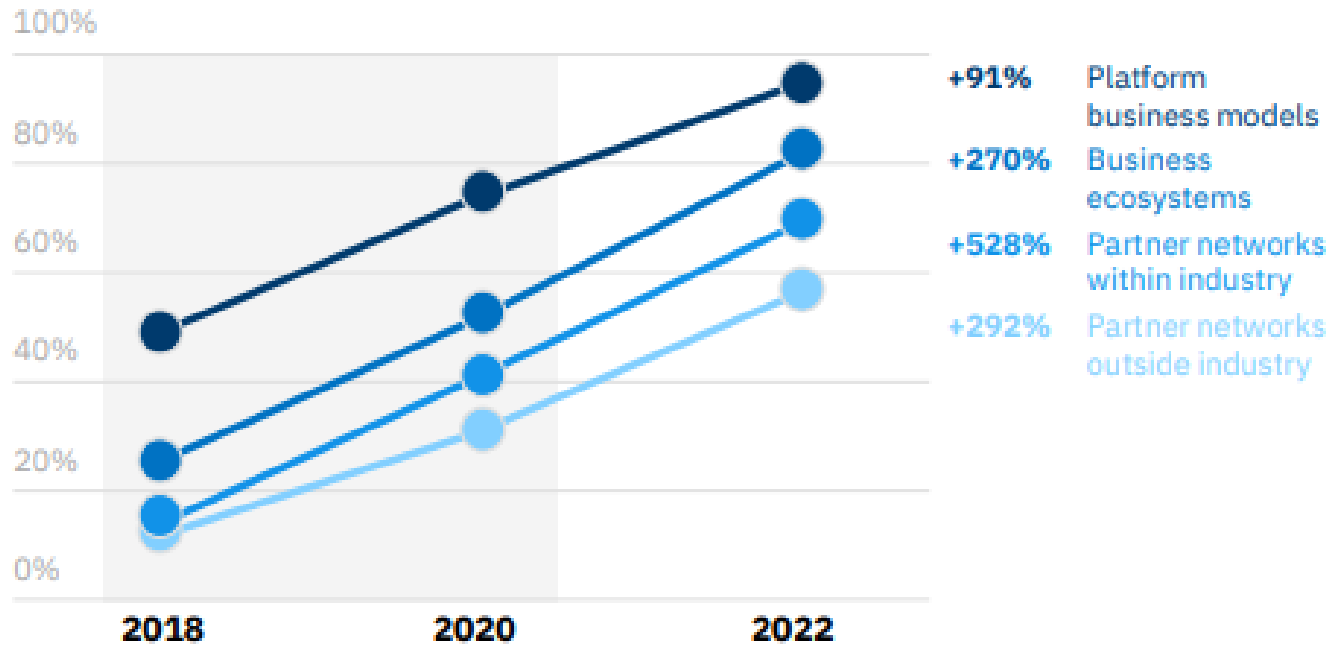
Insurance leaders plan to prioritize operational capabilities—
not external growth—over the next two years



Partners

Businesses are partnering up

Insurance executives increasingly see platforms, ecosystems, and partner networks as key success factors



Insurance Journal Report - 3 Considerations From a TransUnion Report

- The financial and economic challenges brought forth by Covid-19 will continue to impact consumers and businesses, potentially leading to profitability impacts for insurance carriers down the road
- Consumers and businesses expect insurers to have a greater understanding of their individualized needs in light of shifting behaviors and preferences
- Insurance digitization efforts will only continue to strengthen



AgentSync Thoughts – Changes Due To Covid

- Insurance industry in 2019 didn't look much different than it had in the preceding 15 to 20 years
- Consider these things:
 - Work from centralized office locations
 - In person meetings were almost demanded
 - Shared network drives
 - Wet signatures
 - Hard copies required to do business
 - A reliance on paper documents of all sorts



AgentSync Thoughts (continued)

- Reliance on manual processes to get things done
- Client visits
- In person meetings with clients and carriers
- Some instant messaging was used
- Remember Skype

Some Changes Since Then (one example)

- Shifting more resources to creating a way to automate life insurance underwriting using people's medical records and "big data" instead of an in-person medical exam.
- Looking at mobile apps like Uber and Amazon for how to create a frictionless customer experience for people wanting to purchase life insurance.
- Taking a page from consumer-favorite brands' books when it came to re-engaging with customers after the initial purchase (e.g. newsletters, surveys, reminders, outreach).



What Else Has Changed



- Ability to work from anywhere...and almost anytime
- More Covid casual dress (but please, no pajamas in the office)
- Increased hiring due to the less localized nature of the office environment
- Hybrid work is the norm in most agencies and insurers



A KPMG Report - Due To The Pandemic

- Responses of Insurance CEOs to the KPMG inquiries (50 CEOs)
- 50% noted that the pandemic sharply accelerated progress in the area of creating seamless digital customer experience
- 76% said customer engagement & queries will be done predominantly by chat bots, social media, website, telephone
- 40% said employees would work remotely 2-3 days per week
- 34% said that their business had changed forever
- Insurance CEOs said they would invest more in
 - 68% customer centric technologies
 - 60% in data security measures
 - 56% in digital communications; ie: video conferencing & messaging platforms

Insurance Reports, Multiple Sources, July 2023

- During the pandemic there was a surge in auto severity losses
 - Primarily driven by inflationary pressure on labor and parts costs
- Frequency has declined over the past two decades
- 2022 combined ratio for P & C companies was 102.4 (iii.org)
 - Personal lines @ 109.9 – Commercial lines at 94.8
 - PAP – 2022 net combined @ 112.2, 10.7 points worse than 2021, 19.7 than 2020
 - Profitability for PAP expected to be achieved in 2025
 - Homeowner's net combined in 2022 was 104.6
- 2023 forecasted combined for P & C to be at 105.8

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