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Top Five Property-Casualty Insurance Industry Trends to Know

Property-casualty insurance firms have seen a significant shift in the staffing profile in recent years. The average company added over 20% more staff in technology, actuarial, and analytical roles compared to a 40% decline in front office roles, including policy processing, data entry, and clerical work. We anticipate that automation will require fewer employees to directly interact with the customer and perform data entry tasks, as these activities are delivered through automated and digital methods.

As firms continue to prepare for change, it's important to take a moment to reflect on current trends and the factors that lead to them. Doing so not only provides a clear vision of where your business stands, but also offers insights into what's expected for the future. While many uncertainties still remain, one thing is for sure—digitization is a given in today's modern world. Advances in technology, artificial intelligence, and automation are rapidly impacting the financial services industry across all sectors.

To determine best practices and examples of what companies should be doing to remain on top, every year we analyze and select industry leaders from a pool of over 3,000 property-casualty insurance companies domiciled in the United States with our Ward's 50 results. Qualified recipients achieved greater levels of income returns and outperformed in key performance benchmarks. In this article, we uncover the top five trends that have shaped the property-casualty insurance industry, how our identified industry leaders compared to the overall market, and what's expected for the road ahead.

#1 Premium Growth Remained Positive

Premium growth stayed positive in 2017, led by personal and commercial auto. Net premiums written for the Ward's 50 property-casualty group grew 27.3% over the past 5 years compared to the total industry's 16.7% growth. While commercial lines markets are not growing quite as quickly as personal lines, they too, remain positive. This growth has increased capital strength for companies, enabling companies to invest more in technology, new systems, and infrastructure to stay up-to-date and offer relevant and competitive tools and services.

#2 Overall Expense Ratio Continued to Improve

The Ward's 50 benchmark group for property-casualty insurance continues to achieve lower expense ratios that compare better than the industry average. Slight decreases in the expense ratio were seen in 2017, with expenses relative to revenue comparing 6% lower than 2016. Steady premium growth and the realization of the efficiency gained from the deployment of new systems continue to improve expenses. Both personal and commercial lines companies have stronger surplus positions than they did ten years ago. With this solid foundation, we don't anticipate any harsh staffing reductions or widespread cuts in expenses. In most cases, companies should be able to manage expenses with moderate premium growth.

#3 Bonus Payments Were Down

Bonus payments appear to be down due to lower performance and a higher combined ratio in 2017 due to catastrophe losses. There has been a decrease in overall employee cost of salary and benefits, which stands at approximately 12.5% as a percent of net premiums written in total industry, and 10.4% for Ward's 50 companies. We are still seeing staffing ratios improve relative to premiums written, as gains from new strategies and adopted technology continue to be implemented.

#4 Customer Experience is at the Forefront

Headcount movement reflects a clear shift towards making the customer experience a main business priority. Across the benchmark, most companies are taking the opportunity to enhance any technology opportunities that have the power to improve the customer experience. Therefore, it is not surprising that primary areas of growth include client-centered marketing efforts, as well as commercial underwriting and product development. Other areas of growth have been seen in general counsel due to growing compliance concerns, actuarial to support analytical efforts, and information technology to support new system development.

#5 The Future Looks Bright

All in all, our findings have reinforced the fact that more leaders hold a positive outlook on operations and feel that conditions have improved in 2018. The Ward's 50 benchmark was able to grow revenue, stay profitable, and strengthen surplus position at a greater rate than the total industry. Although these companies outperformed their industry peers, the entire property-casualty industry remains very strong and the future looks bright for most segments of the market. For this reason, we do not expect any pull-back investments when it comes to technology or market expansion.

To learn more about trending topics in property-casualty insurance, please contact our team. You can also view the complete list of Ward's 50 top performing insurance companies here.

Author Contact Information

Jeff Rieder
Partner, Ward Benchmarking
Aon
1.513.746.2400
jeffrey.rieder@wardinc.com

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