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# Automation and The Future Insurance Workforce

Sustained economic growth, rising interest rates, and higher investment income have helped shape 2019 into an excellent year for the insurance industry. InsurTechs have continued to see phenomenal growth due to customer-centric design, agile operations and adoption of digital technologies, while incumbent insurers have realized that digital transformation can deliver business agility, customer experience and operational efficiency needed to remain competitive. As part of their digital transformation efforts, incumbents been investing heavily in emerging technologies such as Robotic Process Automation (RPA), blockchain, Internet of Things (IoT), artificial intelligence (AI), and machine learning (ML).

But what impact has implementation of digital technologies had to the "workforce of the future" in the insurance industry?

Let's take a closer look at the US market. Plotting the health of the industry with its workforce count led to an interesting find: increase in employment has almost always been in sync with increase in premiums for the past few years.
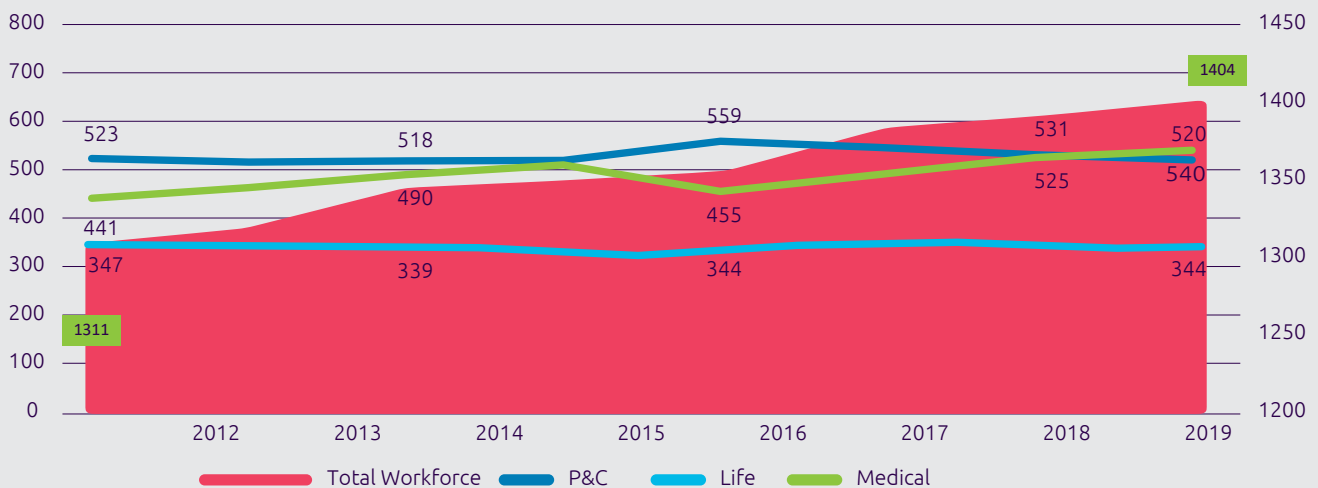
Insurance Industry vs Workforce- United States
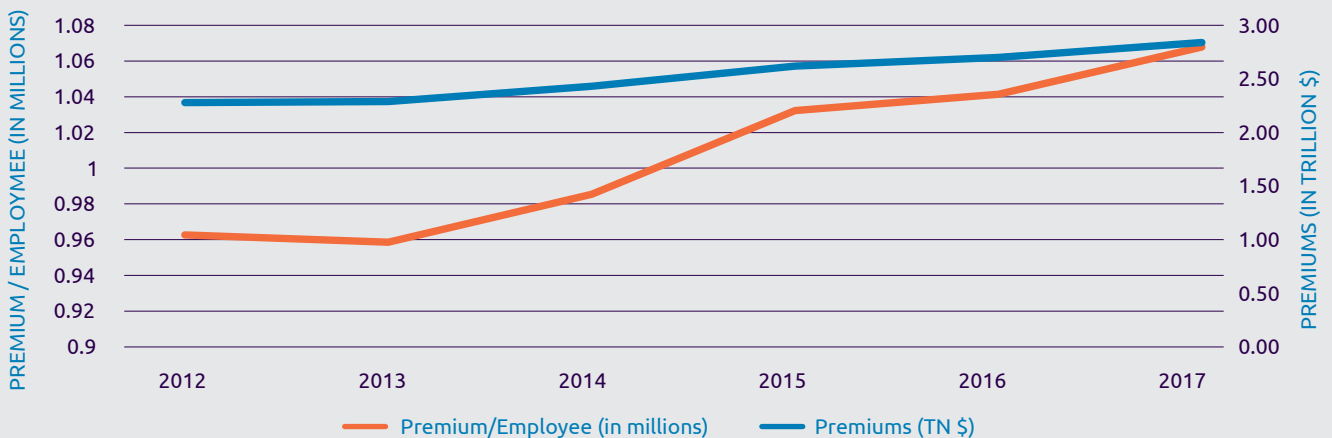
Source: Facts + Statistics : Industry Overview, Insurance Information Institute

The insurance industry, as a whole, has grown - new insurers have propped up and InsurTechs have created new markets with disruptive innovations. However, in the last few years, despite the industry doing well, employment growth has generally slowed down. But a closer look at direct employment by different insurance types in the US reveals some interesting trends.

Direct Insurance Employment in USA (in 000's)[2]

Chart data points:
- Total Workforce: 1311, 1404
- P&C: 523, 518, 559, 531, 520
- Life: 347, 339, 344, 344
- Medical: 441, 490, 455, 525, 540

Left axis: 0, 100, 200, 300, 400, 500, 600, 700, 800
Right axis: 1200, 1250, 1300, 1350, 1400, 1450
X-axis: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019

Legend: Total Workforce · P&C · Life · Medical

Source: Insurance Industry employment trends, Insurance Information Institute, March 2019

The workforce count in the medical and health insurance industry is rising. This is because of the higher participation in health insurance programs and changing lifestyles leading to more claims. Meanwhile, employment in property and casualty (P&C) and life insurance is seen to be more or less stagnant. This is primarily because of 2 reasons – industry's preparedness to expected soft market / stagnation, improved methods of home/auto loss prevention and millennial unwillingness to buy life insurance . But was this workforce phenomena pertinent only to the United States? We did a deep dive into the global insurance industry outlook to check the dependence of the workforce on the industry's performance and found three types of relationships around the world:

1. The country's insurance industry is growing, as is employment but at a lower rate. This is prevalent in countries like the United States, South Korea, and France.

2. The insurance industry is growing, but the employment is falling. This is the case in Japan and Germany.

3. The insurance industry growth is decreasing and so is the employment but at a greater rate. This is the case in the United Kingdom.

In countries like the UK, where the industry is in decline, employment is slowing down drastically. This is most likely due to vacancies arising from the retirement of baby boomers that are not being replenished by the new generation workforce.
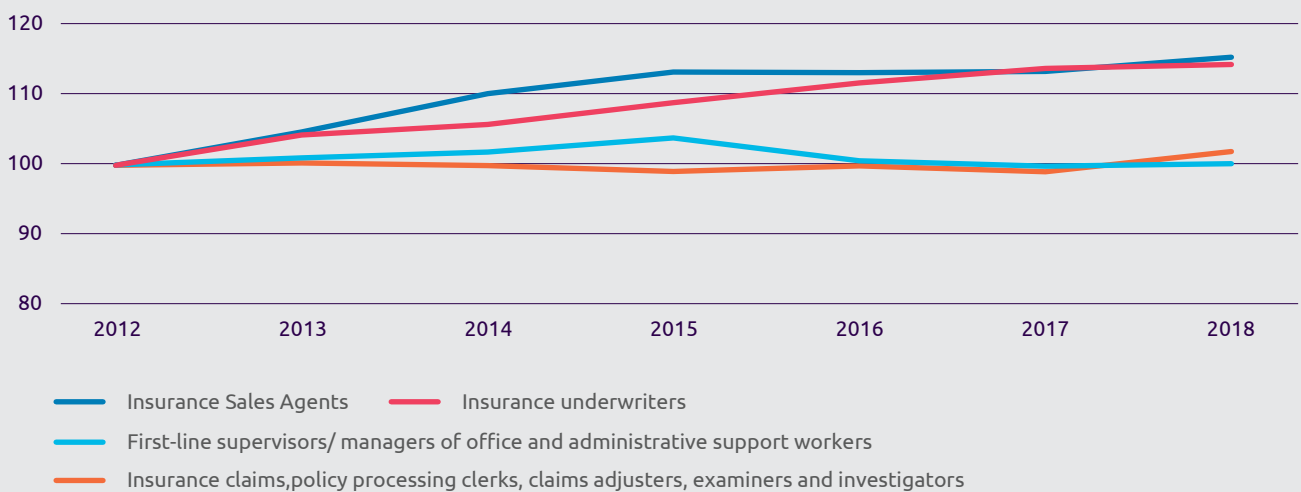
But in the countries where the industry is growing well, employment is either falling or increasing very slowly. In these places, why isn't the employment increasing on par with the business cycle?

We did an analysis of the value chain, looked at various insurance firms globally and identified one thing in common - automation was on the rise. Robots are being deployed to fill the skill gaps created by millenials not joining the insurance workforce, instead preferring lucrative jobs in the technology sector. Below are a few examples where insurers are deploying a digital workforce

by automating the contact centers, back-end operations and even core operations such as underwriting and claims adjustment:

- California based Farmers' Insurance incorporated RPA to accelerate the agents' ability to respond to the unique needs of farmers. The result was that quote-generation time came down from 14 days to 14 minutes, umbrella-policy sales increased by 70%, resulting in agent-client satisfaction.[3]

- A shared service provider (part of one of the largest insurance groups in the world) decided to employ Enate's orchestration platform and, afterward, the robotic workforce by UiPath, to streamline operations and deliver more value-added services. With 14 processes automated, the company reduced processing time from five minutes to just 20 seconds and doubled the number of transactions.[4]

- A Switzerland-based global insurer used UiPath to build automation robots to automate extraction and comparison of data. The successful implementation of the UiPath robot allowed the insurance company to streamline their new business onboarding and underwriting processes resulting in 80% reduction in turnaround time and 25% human effort savings.[5]

- A United Kingdom–based insurance firm turned to RPA to automate the recovery of reimbursements from third-party insurers. This helped in changing a time-consuming, error-filled and expensive process to a smooth one that handled the reconciliation between disparate systems.[6]

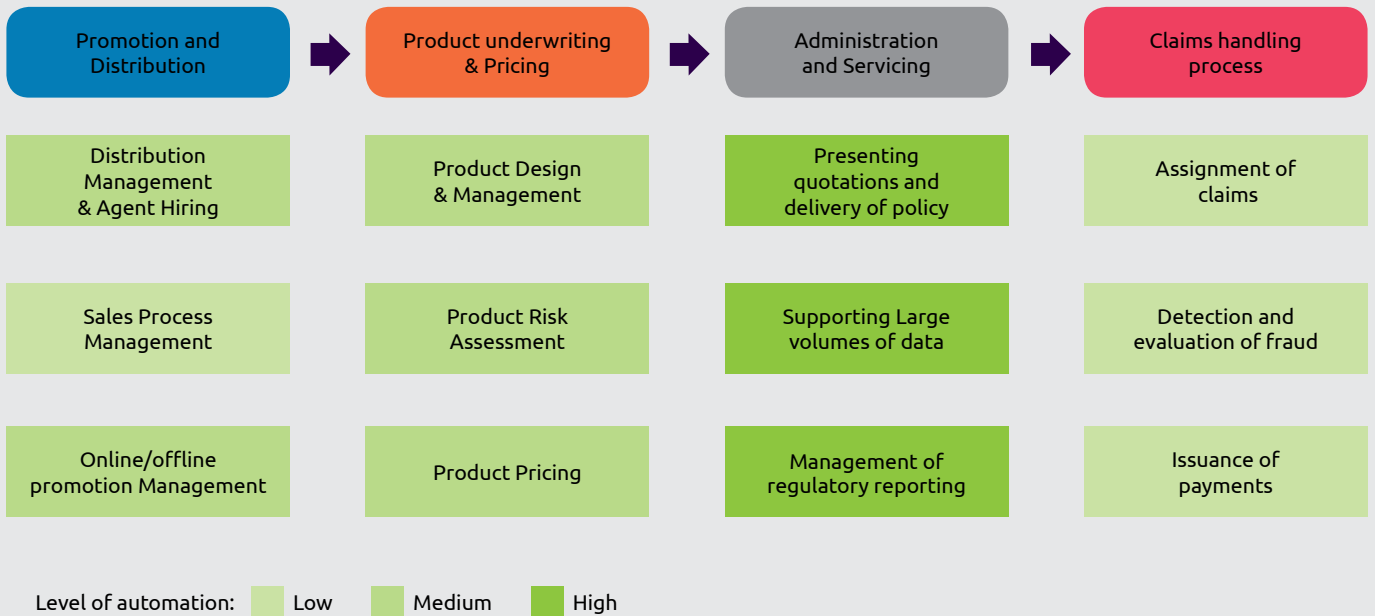## Insurance Occupational Employment Trend (Indexed)

Insurance Sales Agents — **Insurance underwriters** — **First-line supervisors/ managers of office and administrative support workers** — **Insurance claims,policy processing clerks, claims adjusters, examiners and investigators**

Source: US Bureau of Labor Statistics

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[3] https://www.pega.com/customers/farmers-insurance
[4] https://www.uipath.com/blog/robotic-process-automation-insurance-companies-core-processes
[5,6] https://www.uipath.com/blog/robotic-process-automation-insurance-companies-core-processes

The rate at which insurers are embracing automation correlates with how they are able to achieve a higher premium per employee, leading to overall profitable

| Promotion and Distribution	Product underwriting & Pricing	Administration and Servicing	Claims handling process
Distribution Management & Agent Hiring	Product Design & Management	Presenting quotations and delivery of policy	Assignment of claims
Sales Process Management	Product Risk Assessment	Supporting Large volumes of data	Detection and evaluation of fraud
Online/offline promotion Management	Product Pricing	Management of regulatory reporting	Issuance of payments

Level of automation: Low   Medium   High

growth without adding more employees. But which areas of the industry are benefitting the most? The graph above shows that there is an increase in sales agents but jobs such as insurance underwriters and administrative works haven't seen a similar increase. This can be attributed to automation filling the roles of the retiring workforce.

In fact, we believe that certain parts of the insurance value chain are benefited the most by applying automation and advanced technology, as shown below.

- Areas requiring software and product, emerging and web-based technologies have shown an increase in employment as there is a strong demand for people having algorithm development, data analytics and ML capabilities. Demand for insurance sales agents has shot up significantly too. In addition, creative digital marketing skills and product designing skills are in demand as we see more digitization in the industry.

- Operational areas that mainly include servicing of policy and back-end bill/statement production have resulted in high levels of automation leading to a reduction in employment.

- The claims handling process is an area that has huge potential for automation. Currently, the processes where automation could be adopted under claims are still in the nascent stage with medium to high level of complexity and will require a long-term effort to enable a transformative customer experience.

The extent of automation certainly differs by market, product group, and capacity. There are areas that require workforce reduction, and at the same time, there are potential areas requiring technological expertise that only the workforce could provide. There are also areas where natural attrition is happening through retiring population and 'future workforce' like millennials are not willing to continue working in those mundane tasks. Since the average attrition due to workforce
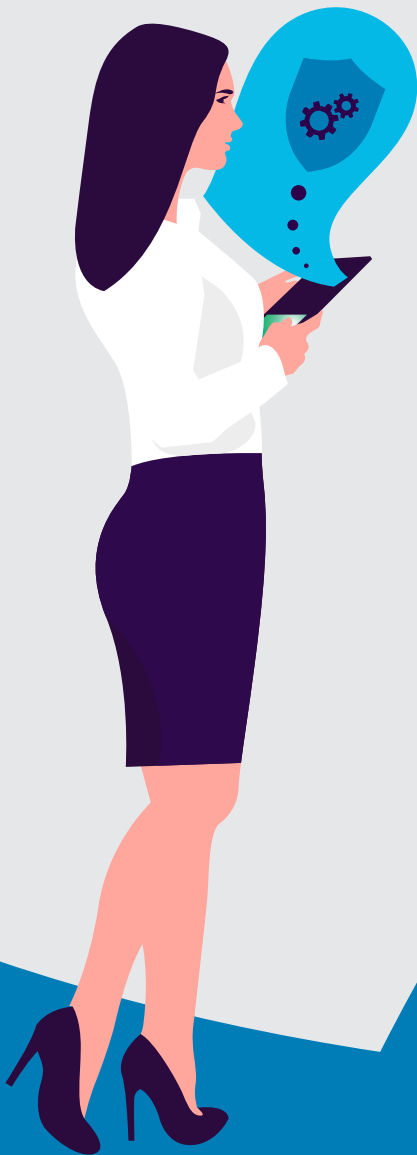
churn in those operational space goes as high as 45%7 many Insurers are filling those vacancies with Digital Workers (Robots). While Digital Workers are able to reduce the cost of operations, they also contribute to faster service, superior customer experience, accuracy in processing and engagement of employees that are now doing high value tasks vs. high volume mundane tasks.

Our analysis regarding automation in the insurance industry suggests that there is workforce reduction happening and it will continue as more processes become efficient. The inverse relationship between the level of automation and the workforce exists in the insurance industry, and we also know for sure that automation is here to stay. Key question is how the future of employment will continue to shape with rise of new technology and data-driven jobs? That's something only time can tell.

For more information, please email me at kiran.boosam@capgemini.com or connect with me on social media.

Capgemini's Cognitive Document Processing (CDP) Service automates the claim intake process, ultimately resulting in cost reduction and higher efficiency. By adding automation and a cognitive component to the process, document processing can be intuitively enhanced, freeing up valuable employees for more complex tasks. To learn more about CDP, please click here.

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