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Preparing for the Future of Insurance

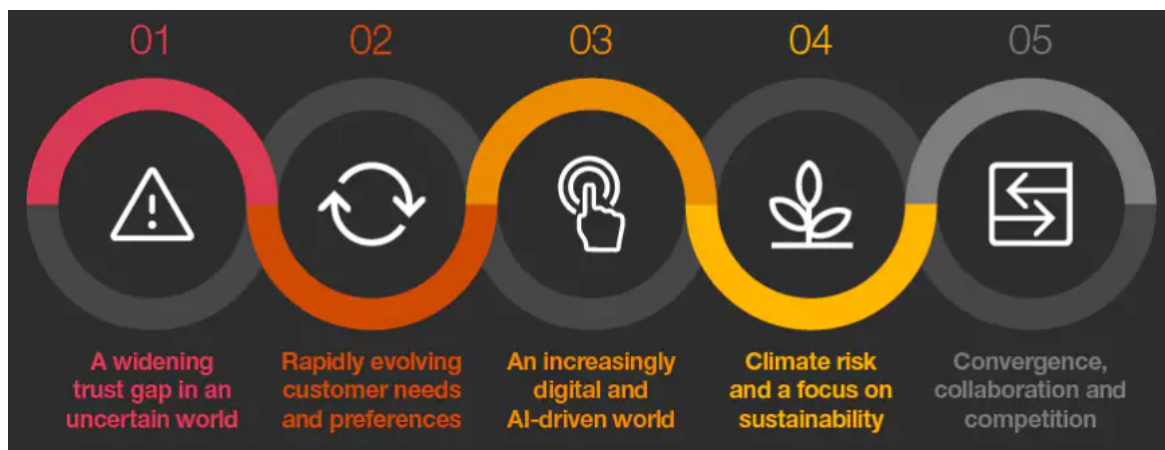
Jay D'Aprile

EXECUTIVE VICE PRESIDENT



World crises make forecasting for the future difficult. This decade was born into crisis, and for an industry that is historically set in its ways, responding, adapting, and recovering was the sole focus for the insurance sector in the midst of the mess. But now, as we look ahead to 2030, it's time to reflect on the transformation the industry is going through and prepare for the future of insurance.

[PwC](#) identifies five key forces shaping the insurance sector that will continue to have significant impact over the next several years. In particular, these are: decreasing consumer trust, evolving customer expectations, emerging technology, growing focus on sustainability, and shifting competitive boundaries.



Underlying these trends are concerns related to the economy in tandem with shifts in private equity and M&A activity. Below we explore how insurers should be preparing for growth in the future landscape of the insurance industry.

Decreasing Consumer Trust

In a [recent Edelman survey](#), data came to light revealing that almost half of the global population perceives the government and media as “divisive forces in society.” This statistic sets the stage for all other consumer decisions—people expect businesses to help address societal challenges and will buy from those businesses that hold themselves accountable to a set of moral and ethical values.

This same survey data analyzes trust levels within individual industries. Unfortunately, despite a 10% improvement over the last decade, the financial services sector, which includes insurance, is the least trusted industry.

As [PwC](#) astutely states, “trust is fundamental for insurance.” Wealth disparity and insufficient

financial education are often attributed to this growing distrust. There are serious implications of low consumer trust in insurance, not least of which is a rising gap in protected risk and, consequently, greater economic loss.

Additionally, as [consumer awareness of ESG issues](#) increases, many insurers are struggling to keep up with customer demands for accountability and transparency—which only adds to the growing mistrust. Insurers who initiate consumer education, inclusive policies and workplaces, and partnerships to address social inequalities are more likely to see strengthened trust in their customer relationships.

Evolving Customer Expectations

Traditionally, insurance customers wanted one thing: financial protection. But today's customers are different, and demands for activism and value alignment aren't the only new customer expectations in the insurance industry.

Millennials and Gen Z customers are almost single-handedly changing the face of insurance. [Insurance software provider Majesco](#) suggests that these generations' preferences for smart and connected devices, their remote or hybrid work and associated commuting habits, and their comfort with digital payments are just a few of the trends that will continue to impact the industry. Moreover, these generations expect a high degree of personalized service and solutions. Insurance is often seen as a burden, a "necessary evil," which nothing less than a seamless and effortless customer experience will overcome.

Where [direct-to-consumer](#) was once all the buzz in addressing these trends, the ongoing shift in customer preferences has led to the growing popularity of [embedded insurance](#), which brags ultimate convenience and flexibility. In this model, insurance coverage is being bought as part of the product or service, an interplay made possible through innovative partnerships between insurers and companies like Ford, Petco, Airbnb, and many others. [Majesco reports](#) that by 2030, \$700 billion of P&C revenue will come through embedded insurance. Add life and health insurance to that equation, and the market value of embedded insurance could quickly spike to more than \$3 trillion.

Emerging Technology

Insurance certainly has a growing number of customers who are digital natives, which is fueling the need to innovate new platforms and engagement channels. However, the digital landscape is bigger than that, living as we are in an increasingly AI-driven world.

[PwC](#) reports that frontier technologies such as IOT, big data, and AI, among others, are projected to achieve a market size of \$3.2 trillion in 2025—up from just \$350 billion in 2018. Insurance is naturally an industry with a prolific amount of data, which translates into massive potential for sophisticated data analysis that can enable hyper-personalization and more streamlined automation.

AI in particular can transform the way insurers approach everything from underwriting to claims, as well as their product offerings. PwC points to the possibility for event- and usage-based insurance, as well as prediction-based insurance models using data from smart devices.

Finally, there's a [growing market for insurtech](#) that can help insurers leverage their existing capabilities through leading-edge technologies. There is surging PE interest and M&A activity in insurtech, and insurers who understand the need to embrace emerging technologies should strategically consider how they can partner with or invest in these startups to scale their business into the future.

Growing Focus on Sustainability

The threat of climate change has significant implications for the insurance industry, particularly in property but also other sectors. In fact, [Swiss Re forecasts](#) that by 2040, \$183 billion in insurance premiums will be generated as a direct consequence of increased natural catastrophes that result from climate change—floods, earthquakes, wildfires, and storms.

For insurers, supporting policyholders both before (through prevention and preparedness programs) and after these catastrophic events will always been the primary focus. However, insurers are increasingly expected to become a catalyst for change, addressing climate change through sustainability.

Though insurers themselves typically have a smaller carbon footprint than other industries, sustainability in insurance can still be achieved through a wide spectrum of approaches. [Accenture](#), for example, suggests innovating sustainable product offerings, such as green home insurance solutions.

Other sustainable insurance models look like more intentional investments and underwriting. [Swiss Re](#) has taken this approach, focusing a significant amount of its assets on top ESG performers. In industries whose carbon footprint is high, Swiss Re aims to encourage and

educate companies in sustainable practices.

Finally, the growing focus on sustainability is driven not just by climate change itself but also, once again, by customers. ESG in general is top of mind for Millennial and Gen Z consumers, and they're all too ready to dismiss a business if their values are misaligned with their own. The same mindset is true for talent; any growing insurer should be clear and intentional in how their ESG values and initiatives are reflected in their employer brand.

Shifting Competitive Boundaries

The rise of digital has naturally led to a rise in collaboration. As [PwC](#) suggests, data and insights no longer live on an island; sharing and collaborating both within and outside of the insurance industry is a critical approach to sparking creativity and innovation as well as overall business value.

According to [PwC's survey](#), 80% of respondents agree that insurers will increasingly collaborate with insurtechs, whether through co-creation, partnership, or acquisition, in the next few years. Furthermore, 81% agree that insurers will increase their engagement in ecosystems where insurance is just one piece of the puzzle to serve the broader needs of customers. This trend of collaboration even extends to joining forces to help address shortfalls in the government's actions in areas like climate change and healthcare.

Most insurers agree that greater collaboration leads to a competitive advantage as well as operational resilience.

Preparing for the Future of Insurance

Ultimately, insurance leaders need to reimagine their strategies and objectives to align with the future state of insurance. Becoming people-centric, digitally-driven, and values-aligned will allow insurance businesses to adapt and scale in response to these key trends.

How have these trends begun to impact your insurance business?

If you're seeking top executive talent for your insurance leadership team, [take a look at our recent insurance searches.](#)

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