2025 Global Insurance Outlook

Driving growth through advanced technology and data capabilities

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A message from the EY Insurance leadership team

The global insurance industry enters 2025 facing familiar yet ever-evolving vectors of change. While climate and cybersecurity top the agendas for senior leaders, they can't overlook other forces reshaping the landscape.

The pace of technology change has only accelerated with the advent of generative artificial intelligence (GenAI) and rapid rise of agentic AI. Geopolitical and trade tensions, as well as ongoing macroeconomic turbulence and political polarization, present new complexities that could morph into major barriers of change. New competition, increased regulatory scrutiny and continuously shifting customer behaviors also demand the attention of C-suites and boards.

Yet we are optimistic about the industry's near- and longer-term prospects. There is a clear need for core insurance protections and strong demand for more holistic solutions and ancillary services. New business models are gaining traction. Expanding data volumes are opening new possibilities in risk assessment, pricing and partnerships. There have never been more opportunities or incentives for insurers to innovate. And never has the world been more in need of a high-performing insurance industry.

Beyond outlining the current risk landscape, this year's Global Insurance Outlook focuses on specific growth opportunities across sectors and regions worldwide. Further, we explore how advanced data strategies and capabilities hold the key to seizing those opportunities and building on the strong momentum of the last few years.

As with previous editions, our 2025 report is meant to inform the perspectives of senior leaders and help them chart a course forward in a turbulent market. We hope you find the insights and recommendations on the following pages to be useful and timely. And we welcome the opportunity to discuss your organization's perspective on these issues, opportunities and imperatives.

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Executive summary

1 Navigating a volatile and complex market landscape

- **Shifting global dynamics:** The US is poised for strong growth as its favorable business environment attracts capital, while Europe's fragmented political landscape and rising debt pressures strain economic stability and widen savings and protection gaps.
- **Evolving societal and structural challenges:** Polarization, economic inequality and growing retirement savings gaps intensify societal tensions, increasing scrutiny on insurers to fulfill their purpose and support more citizens in achieving wellness and security.
- **The regulatory outlook:** With Europe's tightening regulatory agenda driving up compliance costs and lighter oversight creating advantages for US insurers, M&A activity is shifting toward the Americas and Asia-Pacific.

2 Pursuing multiple paths to growth

- **Driving transformative growth:** No matter the line of business or region, insurers can boost performance with purposeful product innovation, tech-led distribution, ecosystem partnerships, strategic cross-selling and scaling of successful offerings.
- **Large commercial and reinsurance:** Growth strategies reflect the outsized impact of cyber, climate and geopolitical risks. Public-private partnerships, alternative risk transfer strategies and parametric solutions will all become more common, with continuing investments in more sophisticated underwriting and risk mitigation services.
- **Personal lines:** The rise of autonomous vehicles, evolving mobility ecosystems and smart homes are forcing insurers to innovate with more personalized and flexible solutions, including usage-based coverage, product bundling and embedded offerings.
- **Life insurance:** Consumer retirement solutions and commercial retirement plans, product innovation (e.g., customized annuities, hybrid offerings) and diversifying distribution all present compelling opportunities for growth.

3 Retooling the enterprise with richer data, modernized technology and refreshed talent

- **Strategically orienting the enterprise around data:** Data and AI must top the CEO's agenda, with a focus on smarter and streamlined processes for strategic planning and decision making, not just increased efficiency.
- **Transforming operations with tech and data:** Automation and digitization are essential to creating lean, flexible and agile operating environments, boosting efficiency, reducing costs and accelerating good customer outcomes across the value chain.
- **Transforming the workforce and culture for the age of AI:** Empowering talent with AI, refreshing the talent base and fostering a culture of innovation and adaptability are essential to unlocking productivity gains, increasing employee engagement and supporting sustainable transformation.

1 Navigating a volatile and complex market landscape

Geopolitical risks, trade tensions and regulatory shifts put a premium on strategic and operational flexibility.

Volatility and uncertainty — both within individual markets and across regions — define the global insurance industry to an extent not seen in decades. The international stability that insurers grew accustomed to through the 1990s appears to be out of reach for the foreseeable future and perhaps gone forever.

Instead, insurers find themselves contending with:

- Shifting global dynamics that equate to dramatically different economic outlooks shaping the growth agenda in different regions
- Evolving societal needs and challenges, with political tensions, macroeconomic uncertainty and demographic shifts complicating strategic plans but also sparking demand
- Regulatory changes across regions that influence the competitive environment, innovation priorities and transformation investments

98%

of CEOs plan to alter strategic investment plans because of geopolitical challenges

Source: EY CEO Outlook Pulse Survey, 2024

56%

CROs who highlighted geopolitics as a top three risk in the next three years

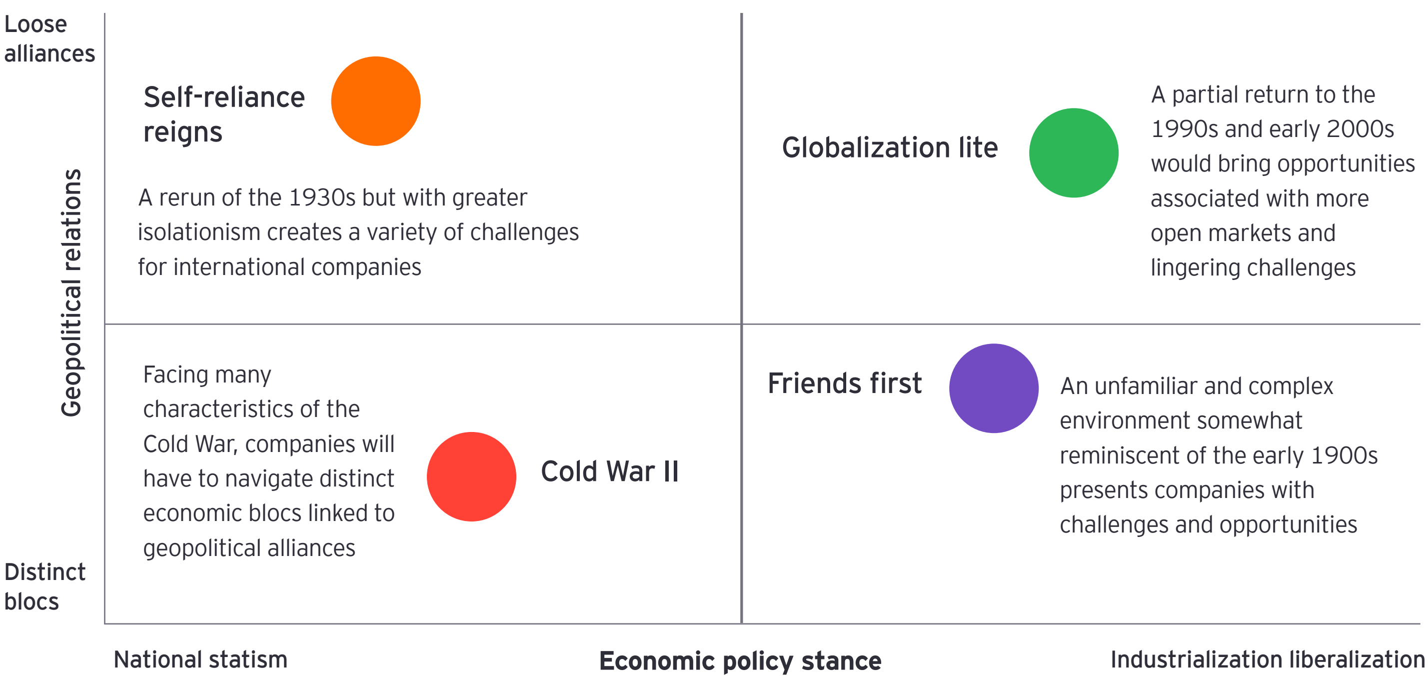
Source: EY Insurance CRO Survey

Shifting global dynamics

Wars and armed conflict threaten overall market stability, disrupt supply chains and put operations in affected regions at risk. Rising trade tensions are forcing carriers to adapt region-specific strategies to minimize the risk of disruptions. Slowing economic growth, shifting capital flows, limitations on risk transfer and less access to technology will have big impacts on growth strategies, transformation plans and regulatory matters. Less global trade will mean less demand for marine, export credit and other types of insurance, as multinationals scale down overseas operations. Insurers' investment portfolios, particularly those reliant on international assets, may see lower returns, forcing some insurers to seek alternative and higher-yielding investments to meet long-term liabilities.

Protectionist agendas, if enacted, will challenge insurers in multiple – and sometimes contradictory – ways. Tax policies, including the Organization for Economic Cooperation and Development's (OECD) coordination around proposed minimum global tax rates, also bear watching. Tensions around economic inequality, stagnant wage growth (which are exacerbated by rising medical costs and inflation) and the huge retirement savings gap may influence the innovation agenda toward affordability and accessibility of insurance products (especially in life insurance lines).

Four plausible global scenarios for 2027



Source: EY-Parthenon

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Geopolitics has shifted dramatically, with diverging paths and a wide range of outcomes across different regions and markets.

US to lead uneven growth worldwide

Gregory Daco
EY-Parthenon Chief Economist

The US economy will remain the global growth leader in 2025, with above-trend GDP growth converging toward 2.1%, supported by solid income gains, pro-cyclical productivity and accommodative policies. This US exceptionalism will drive capital flows toward dollar-denominated assets, strengthening the dollar and potentially disrupting investment flows to emerging markets while exacerbating inflationary pressures in the rest of the world.

The global economy is expected to maintain modest momentum in 2025, with real GDP growth stable around 3.2%, mirroring 2024, but regional growth patterns will be highly desynchronized. Economic momentum is likely to slow in 2026 due to trade tensions and weaker growth in the US and China. Global inflation should steadily ease from 4.5% in 2024 to around 3.4% in 2025, though advanced economies will likely achieve price stability faster than emerging markets. Persistent wage and services inflation could lead to uneven monetary policy responses, with inflation risks tilted to the upside amid rising protectionism, geopolitical tensions and demographic constraints.

Global GDP:

2024	2025 (projected)
3.2%	3.2%

Global inflation:

2024	2025 (projected)
5.4%	3.8%

Source: OECD

Regulatory outlook

The general trend is toward stricter regulatory oversight and more detailed reporting requirements, though there is uncertainty about developments in different markets. Fragmentation is a distinct risk for multinationals, as jurisdictions adopt different rules and standards aligned to their different priorities. There are questions about whether and how more regulation in Europe could drive up compliance costs and potentially threaten profitability. Any softening of Federal regulation in the US, which some analysts see as offering a potential competitive advantage, may be countered by intensifying state-level oversight.

Overall, global executives view the US as a safe haven with a more favorable environment for business, while the fragmented political landscape in Europe challenges investment plans and innovation programs. Expected higher yields for some European countries with uncertain political situations will increase their debt and could put even more pressure on government pension plans and expand savings and protection gaps. Based on overall trends, M&A activity is expected to remain strong in the US and in growth markets in the Asia-Pacific region.

61%

insurers citing evolving regulatory requirements as the top operational challenge for the year ahead

Source: Mercer

Regulators in Europe and the UK are prioritizing financial stability and more detailed and transparent reporting for insurers, alongside consumer protections and data privacy standards. Insurers are already aligning to the requirements from the AI Act and Digital Operational Resilience Act (DORA). They also need to prepare for the Financial Data Access (FIDA) – or open insurance – legislation which is expected to be confirmed in 2025 and then phased in over time. This legislation paves the way for consent-based data sharing across pension, savings and non-life insurance products. As FIDA initiates the transition to open finance and a new data economy, it has growth implications for insurers that want to expand the range of services they offer.

From compromise to competition: will CRR3 create an unfair advantage for banks that own insurers?

The Capital Requirements Regulation 3 (CRR3) came into force in Europe in January 2025, setting the prudential regulatory framework for banks and bank-led financial conglomerates (FiCos). Similar to experiences in developing Solvency II, the outcome is a result of technical advice, detailed consultation and ultimately political compromise. CRR3 confers certain benefits on bank ownership of insurance organizations with two specific areas of advantage:

- Beneficial capital treatment by allowing the full consolidation of investment in insurance businesses into the asset side, as was temporarily agreed under the Danish Compromise
- Clarification in new requirements that goodwill on acquisitions by insurance sub-groups is included in group valuations up-streamed to the consolidating bank capital position

So what does this mean for insurers? There is now a clear and extended benefit for banks owning insurance assets, which looks to some analysts like an unbalanced competitive playing field. Considering the operating performance of insurance businesses compared to banks, there is a potentially a compelling case for banks to acquire and consolidate insurance businesses as part of a wider strategic effort to drive the valuation of banks.

The most obvious near-term impact is the necessary rethink of strategic partnerships between banks and insurers. Banks may explore vertical integration by buying out JV partners, acquiring operating capabilities or building greenfield operations. A full assessment of risks and opportunities associated with these options demands the attention of insurance executives in Europe. While the capital advantage in building out FiCos is clear, the linking of risks between insurance and banking businesses must be evaluated in terms of its impact on broader systemic risk and the potential market distortions across the financial system.

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Towards a revival of bancassurance in Europe? >

Evolving societal needs

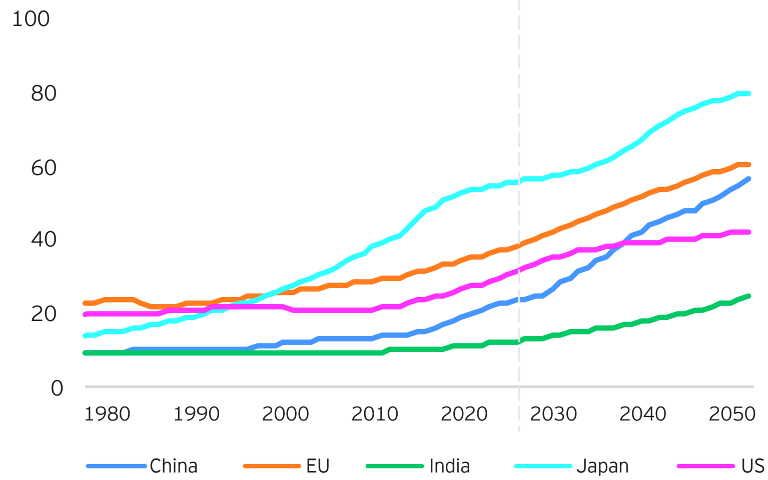
Social and political tensions are also on the minds of insurance leaders in many markets. Polarization remains a potent force, with politics increasingly driven by extreme factions, rather than by consensus-driven moderates. The recent killing of a health insurance CEO in the US sent shock waves through boardrooms and executive suites across the industry. The massive savings and retirement gaps could further fuel antagonism around income inequality and force governments to act.

Demographic change could exacerbate existing tensions. Increasing longevity — the so-called "silver tsunami" — will fuel the growth of huge savings, pensions and protection gaps and further strain limited government budgets. More pensions risk transfer deals are likely to address growing shortfalls among companies and government entities.

Falling birth rates will cause a sharp rise in dependency ratios as the number of nonworking citizens vastly outnumbers those of working age. In the EU, the ratio of pensioners to working-age population is 1:3; by 2050, it will rise to more than 1:2. China's ratio is currently 1:5 but will rise to 1:2 by 2050 and surpass 1:1 by 2080, according to Oxford Economics and the UN.

Old-age dependency ratios, globally

% of citizens aged 65+ / citizens aged 20-64



Source: Oxford Economics/UN World Population Prospects, 2024

Actions for firms:

- Instill operational agility and build resilience into the business to stay flexible for unpredictable developments, uncertain impacts from macroeconomic and geopolitical shifts and other forms of volatility
- Build new predictive models to account for emerging risks including increasingly frequent and severe NatCats, more cyber attacks and more extreme scenarios
- Promote a test-and-learn culture, from the board down, to facilitate explorations of new opportunities presented by fluctuating market conditions
- Engage in regulatory dialogues to anticipate future changes and navigate increasing fragmentation across jurisdictions
- Continually assess capital optimization strategies to assure they meet differing requirements across markets and can deliver long-term stability even during economic shocks

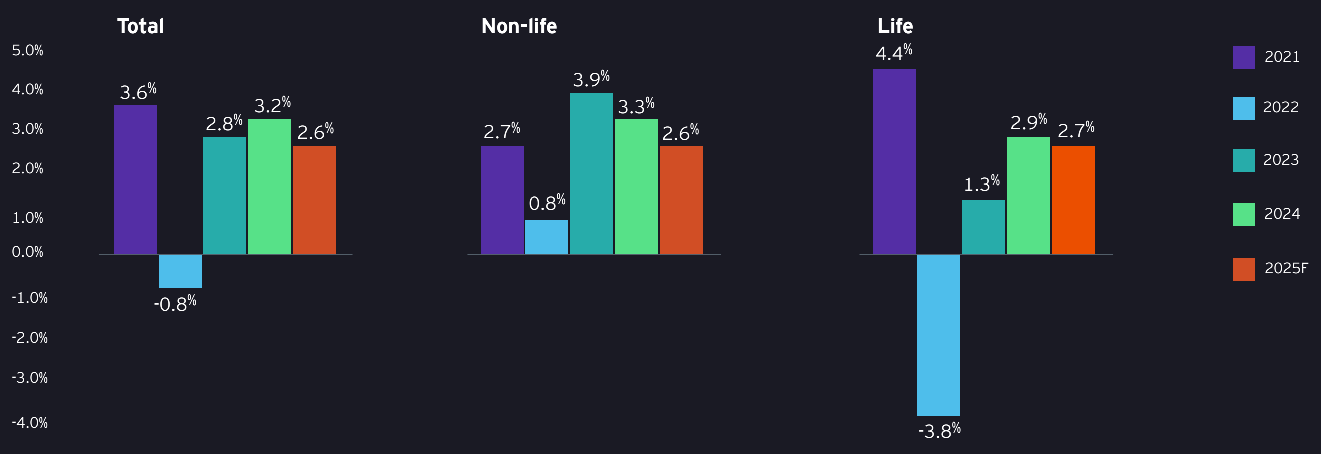
2 Pursuing multiple paths to growth

Wherever there's a protection gap, there are potentially huge growth opportunities, as insurers increasingly recognize.

Despite many challenges, the global insurance industry has delivered relatively strong performance in recent years and is expected to grow steadily for the next few years in both mature and emerging economies. This optimism is prevalent across the industry, even with the likelihood of more disruptions and unexpected events, like the recent wildfires and floods of the last year.

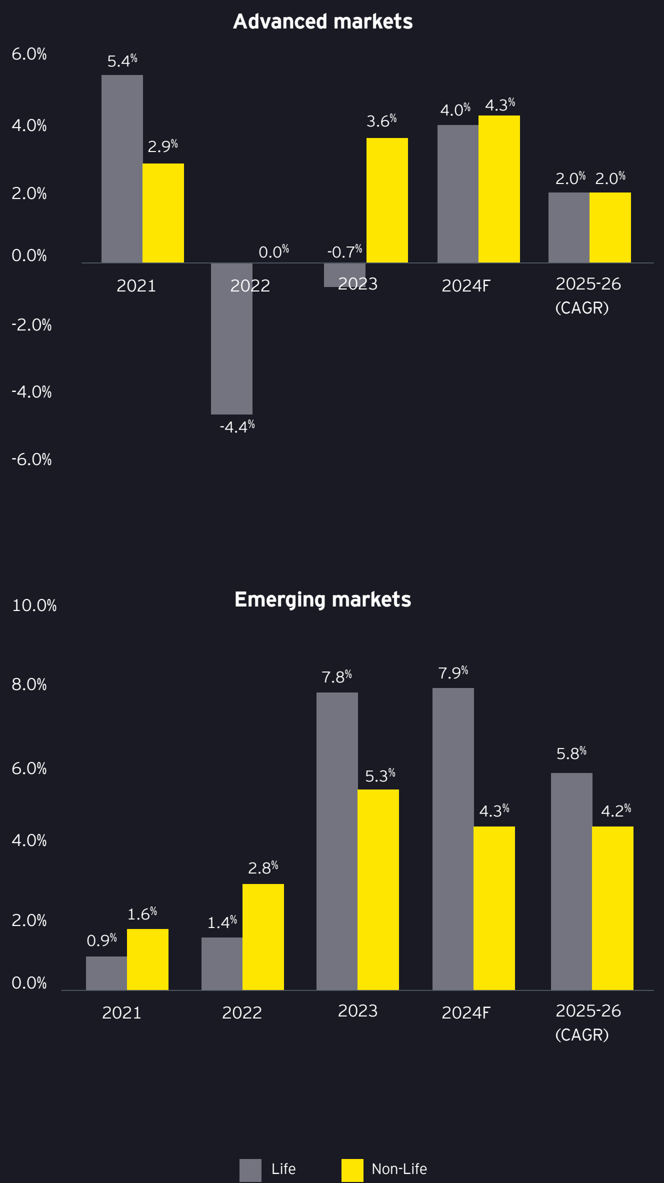
Favorable pricing conditions are likely to be sustained for at least the near term, according to many analysts. Declining inflation and stabilizing interest rates also contribute to the generally positive outlook. The life insurance market is projected to steadily grow, while more moderate growth is expected in non-life, due to a general market softening and slower rate increases. Across all lines of business, the insurance industry must prioritize resiliency to navigate evolving risks, ensure long-term stability and capture the opportunities presented by a constantly changing environment.

Real premium growth, total, non-life and life, 2021-2025F



Source: Swiss Re Sigma, EY Insights

Real premium growth, total, non-life and life, 2021-2026F



Source: Swiss Re Sigma, EY Insights

Seizing the opportunity for transformative growth

As senior executives recognize, sustaining the positive momentum of recent years and achieving transformative growth require bold, creative and purposeful action. No matter the region, line of business or level of growth ambition, insurers will need to refresh core offerings and enrich the product and service portfolio in line with shifting customer behavior and evolving market demand.

Purposeful product innovation means moving away from traditional structures and boundaries to prioritize features (e.g., preventive services, retirement planning) that drive the outcomes consumers want (e.g., healthier lifestyles, financial wellness). Usage-based products, modular bundling and tailored pricing can boost loyalty and engagement. Insurers can use AI and advanced analytics to make targeted recommendations for adding features and adjusting coverages based on their evolving needs. More personalized offerings and smarter engagement strategies will help reduce savings and protection gaps by strengthening protections for all kinds of customers. They also deliver more value to customers, a winning growth strategy.

Transformative growth will also require significant work "on the business" as insurers develop new capabilities and find ways to become more efficient and effective across their operations. To successfully scale their innovations, insurers need lean, flexible and highly automated operating environments. Such models help reduce costs. More importantly, they make it easier to scale low-margin products, connect to partners and ecosystems, and integrate acquisitions. These are all critical to executing ambitious growth strategies in today's growth markets.

Distribution will continue to see innovation in service of growth. Carriers must ensure their technology environment is sufficiently modernized to easily connect and participate in ecosystems and deliver embedded products via existing partnerships or new channels. That's how insurers can gain access to new customer segments and expand the portfolio of offerings for existing customers. Integrated bancassurance models, pensions dashboards and employer-based programs all offer strong growth potential for carriers that prepare their internal systems and build the right capabilities (e.g., data management, strategic partnerships).

The non-life growth agenda: innovating to address evolving risks

The most compelling priorities for non-life insurers are inextricably linked with the most complex challenges and most pressing market and societal needs. For commercial insurers, protection gaps for cyber and climate risk are an invitation to develop more holistic solutions. In personal lines, the emphasis is on more flexible and personalized offerings that reflect how people live and work today.

Technology risks: Advances in technology, such as AI are transforming the industry but continue to introduce new risks. Data and AI risks require insurers to address challenges like algorithmic bias, data privacy and regulatory scrutiny, while implementing strong governance to ensure ethical use and compliance.

Climate risk: The increasing frequency of severe weather events will challenge insurers to enhance risk prediction and adjust underwriting models. Insurers must adapt pricing strategies, leverage innovative technologies and collaborate with industry stakeholders to build resilience and better respond to unforeseen climate events.

These and other risks highlight the need for insurers to adopt proactive risk management strategies, invest in technology and innovation, and engage with regulators and stakeholders to effectively navigate the evolving risk landscape in 2025. Balancing the pursuit of growth with effective risk management will be crucial, as the industry looks to innovate and expand while maintaining resilience against these risks.

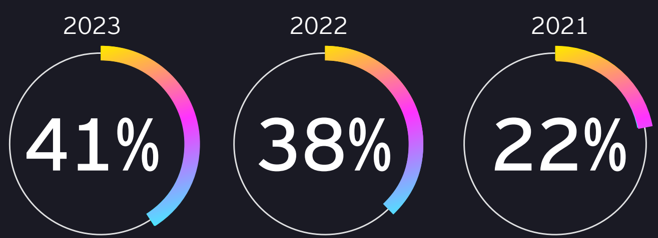
The outlook for large commercial and reinsurance

Evolving risks, technological advancements and changing market dynamics define the growth agenda for large commercial insurers and reinsurers. And as insurance penetration grows in emerging markets in Asia, Latin America and Africa, reinsurers will see a proportionate rise in demand. Risk responsibilities continue to shift among carriers, brokers and captives. All parties are concerned about market softening, which will make the recent run of profitability harder to sustain. However, there are signs carriers and reinsurers are both refining their pricing strategies in preparation, as well as prioritizing cost optimization.

Cyber — a trillion-dollar problem and opportunity: Many of the gravest predictions about cyber are coming true: intensifying and proliferating attacks are a major issue for all sizes and types of businesses around the world. According to research from Allianz, cyber is now the greatest concern of business leaders, moving ahead of business interruption for the first time in years. Hiscox has found small and mid-sized enterprises (SMEs) are more concerned about cyber risks than the economy or competition. Given the expanding volume of attacks on such firms, their concern is more than justified.

The threats will only get more severe. Bad actors (including state-sponsored outfits) are embracing AI to execute more sophisticated techniques that most IT departments struggle to keep up with. The adoption of partnerships and ecosystems, cloud-based systems and GenAI expand the attack surface and open up new vulnerabilities for insurers. Indeed, managing ecosystem risks is increasingly central to cybersecurity programs. Bad actors are taking advantage of vulnerabilities associated with the lack of visibility into third-party security infrastructure and data flows.

Proportion of small businesses experiencing cyber attacks



Source: Hiscox

87%

proportion of global decision makers who say their company lacks adequate cyber protections against cyber attacks

Source: Munich Re Cyber Survey 2024

Cyber presents a massive growth opportunity for insurers, as evidenced by nearly 3x-growth in the past five years, according to research from Munich Re. Recent growth rates have been tremendous, with the overall market doubling in volume from 2017 to 2020 and then again from 2020 to 2022, according to Swiss Re.

The demand signals and market need are too great to ignore, despite the complex challenges of addressing cyber risk. An overwhelming majority of businesses lack the coverage they need (and know they need). But the supply of current offerings doesn't necessarily match up most companies' requirements. Larger firms with strong security expertise and clear visibility into their own risks often do not find value in cyber insurance. Many SMEs feel they are priced out of the market.

Some insurers question whether cyber risks are insurable, because of the potential for accumulations and the risks of state-sponsored cyber warfare. But recent improvements in modeling and pricing are cause for optimism. Regulatory initiatives, like the European Network and Information Security Directive (NIS2) and Digital Operational Resilience Act (DORA) can also boost adoption of cyber polices by customers, provided insurers develop new solutions, based on proven practices and emerging standards.

From a growth perspective, the underinsured SME market should be a priority. A clearer value proposition will involve affordable products oriented around preventive services. Partnerships with tech and security firms can enhance modeling, prevention and detection capabilities, while also providing support via recovery services. Closing the cyber protection gap won't be easy, but the upside opportunities are as great as any the industry has had in decades.

> "While some analysts wonder about the insurability of cyber risk, the market demand and growth opportunities continue to expand.

20%

projected CAGR of global cyber insurance market by 2027

Source: Munich Re Cyber Survey 2024

32%

annual growth rate of cyber insurance market, 2017-2022

Source: Swiss Re

Unlocking growth amid more frequent and severe NatCat events

Annual natural catastrophe (NatCats) losses of at least $100 billion have become a fact of life for the insurance industry. The past year showed that few, if any, regions are immune from climate risks; major events in Spain, the Greek isles and the Southeastern US showed that supposedly low-risk locations are vulnerable. While the wildfires in Los Angeles may prove to be the most expensive catastrophe ever experienced by the industry, medium-severity events are occurring more frequently and causing more serious financial damages. For all these reasons, insurers facing more frequent and severe catastrophic events are seeking more reinsurance capacity.

NatCat premiums are on the rise. Substantially higher rates are slated to take effect in 2025 in France. Insurers in Germany, Italy, Australia and the US have seen similarly large increases. Whether higher rates are driven by government action or market forces, they reflect the harsh financial reality of climate risks.

Overall, climate risk necessitates rethinking traditional approaches to risk management, pricing and claims modeling. Furthermore, insurers must anticipate potential regulatory or government mandates, such as those imposed in Italy, that could require them to cover high-risk areas and events. That should be a sufficient prompt to develop sustainable solutions and coverage options.

CAGR in NatCat insured losses, globally, 1994-2023

7.1%
medium-severity events (US$1-5 billion)

4.1%
high-severity (>US$5 billion)

Source: Swiss Re

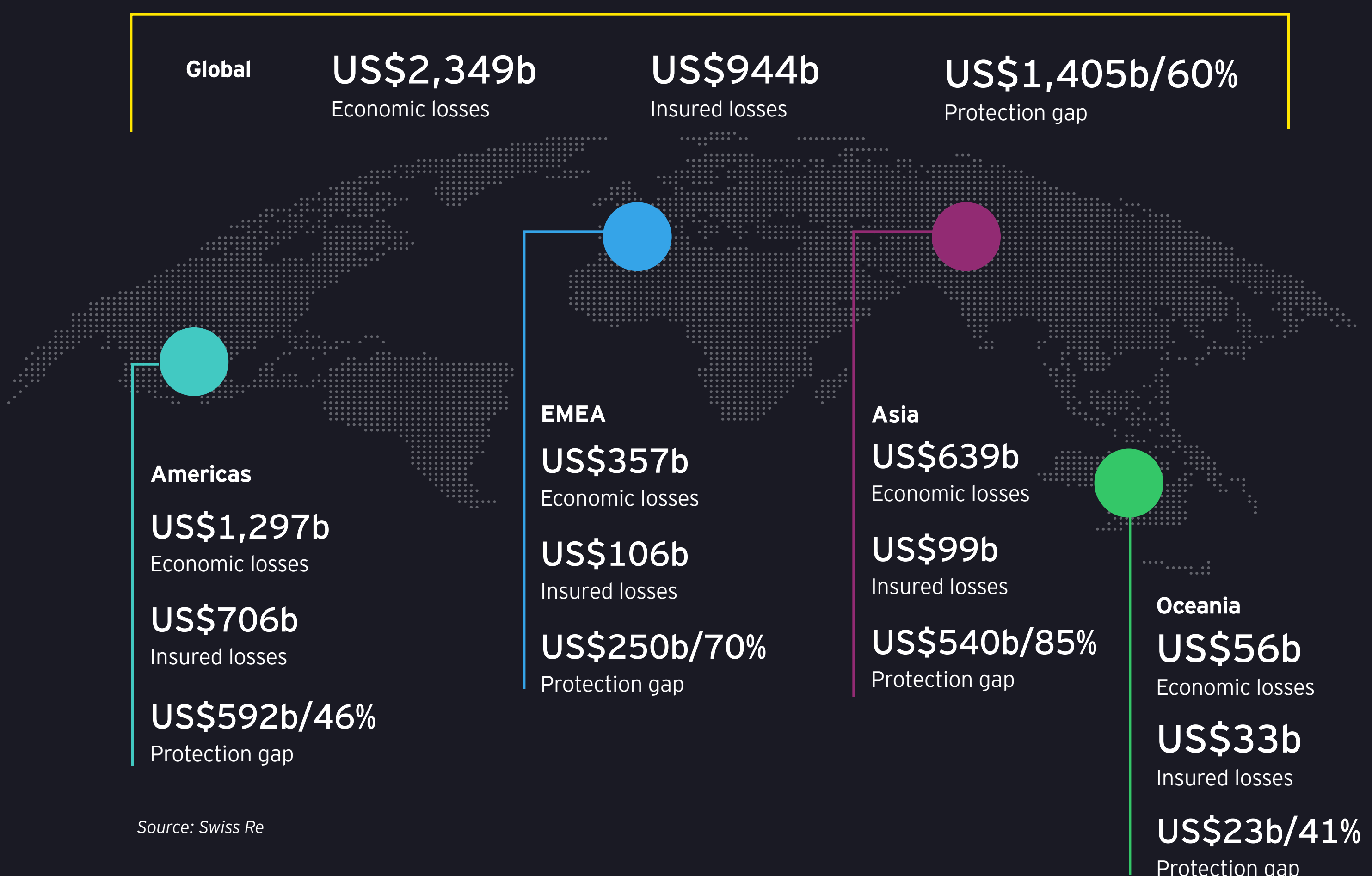
>40%
proportion of the world's population residing in climate-vulnerable locations

Source: Geneva Association

~20%
global corporates facing rating downgrades by 2035 due to climate vulnerabilities

Source: Fitch

NatCat protection gap by region, 2014-2023



Source: Swiss Re

The promise of parametric solutions: Commercial insurers and reinsurers are looking to parametric coverage to deliver more protections to more customers. Improvements to the accuracy and timeliness of "earth observation" data (e.g., information about atmospheric and water conditions) are now possible through remote sensing platforms and tools, including satellites.

The range of parametric use cases is expanding. Small farmers are using parametric coverage for crop insurance and renewable energy providers to protect against low sunlight and sub-par wind speeds. The World Bank uses parametric triggers to provide funds for developing countries responding to natural catastrophes, as well as disease outbreaks or pandemics. The Nature Conservancy and Swiss Re work together to fund coral reef restoration in Mexico with payouts linked to storm intensity.

Getting practical with public-private partnerships: Whether they are mandated by government authorities or industry-led, joint public-private programs will be multifaceted, featuring prevention services, advanced notifications, mandated premium levels and new safety standards for policyholders in vulnerable regions.

Parametric Insurance

2023 market size

US$14.8 billion

2024-2032 CAGR (projected)

11.5%

Source: Global Market Insights

Public-private collaboration on climate risks in the Netherlands

Given the Netherlands' history and geography, it's perhaps no surprise that Verbond van Verzekeraars (VVV), the Dutch Association of Insurers is engaging multiple stakeholders to improve the country's resilience against climate risks, including floods. "Working proactively to mitigate these risks is imperative, because if we do nothing, the cost of climate-related damages could double in the coming decades," says Richard Weurding, managing director of VVV.

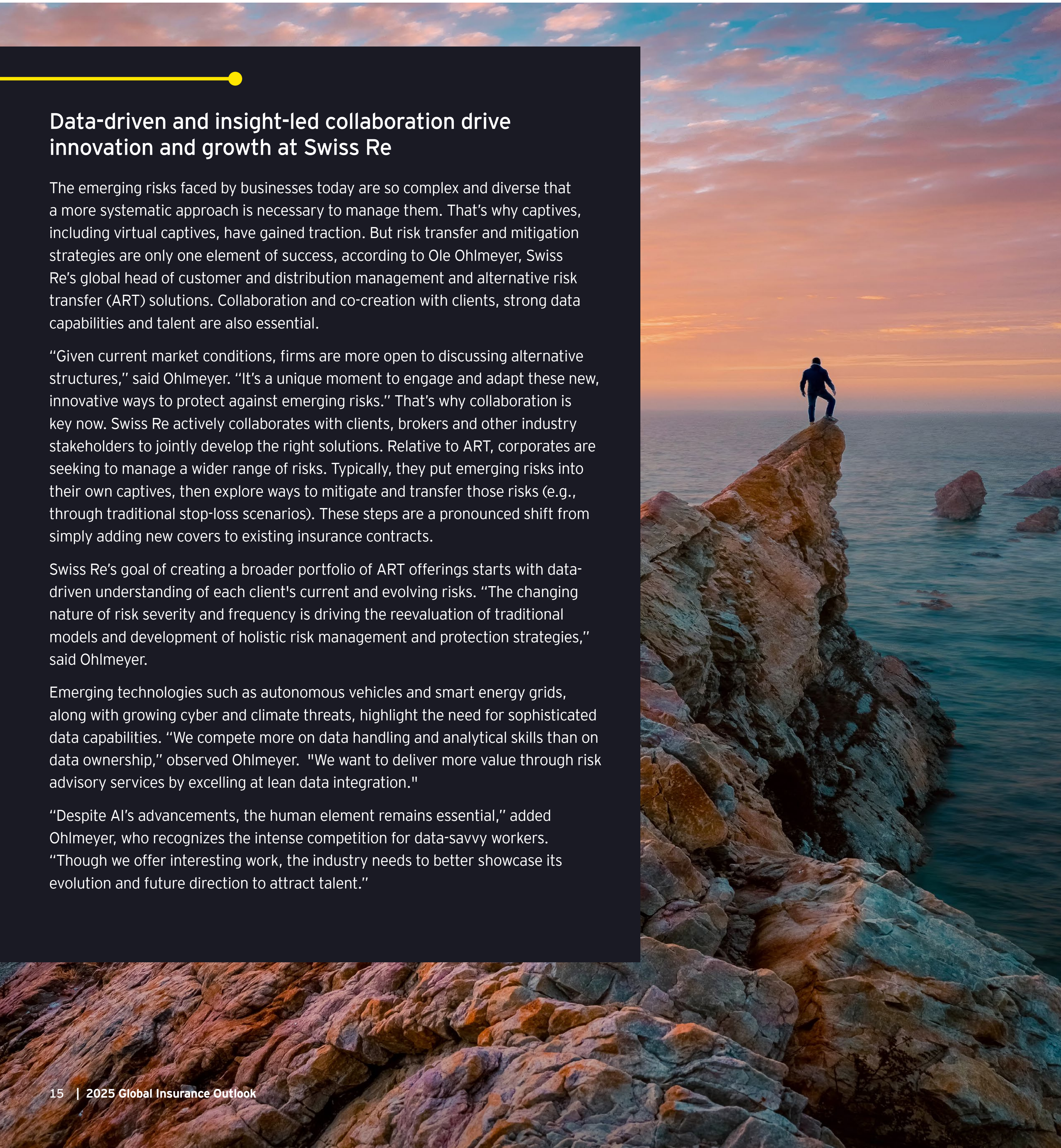
From public education, risk prevention and early warning systems, to efficient claims processing and adaptation strategies, Dutch insurers are working on multiple fronts to address these huge and proliferating risks. According to Weurding, public-private partnerships have been evolving to manage flood risks. After the North Sea floods of 1953, one of the biggest disasters in Netherlands' history, it was illegal to insure against flooding from rivers, lakes or the sea, though over time private insurers began to cover flooding caused by heavy rainfall.

Discussions between insurers and the government are focused on expanding coverage. "The current system is not ideal, but the industry has the experience and tools to provide greater certainty, encourage proactive measures and offer effective claim handling in the event of a disaster," said Weurding. Significant reinsurance would also be essential to provide adequate coverage due to the large exposure in the Netherlands.

The industry has proposed a joint front office for managing claims, combining government compensation with private insurance claims to streamline the overall process and improve efficiency during natural disasters. Insurers are involved in a national platform with the Dutch government and banks to explore adaptation measures that integrate financial considerations into flood resilience planning. Legislation may be needed for certain preventive measures, such as mandating the use of resilient materials or regulating construction in flood-prone areas.

Tech-enabled and data-driven innovation in water management is key to offering protections against rising sea levels, extreme rainfall, hail and other climate threats. VVV promotes collaboration with the national weather institution to enhance warning systems. "Technologies that provide more precise data lead to stronger climate risk models and enhanced forecasting and preparedness," said Weurding.

The mainstreaming of alternative risk transfer strategies: Insurance-linked securities and NatCat bonds and other non-traditional approaches to risk transfer strategies are another way commercial carriers can unlock growth. The impressive expansion of captives and MGAs is likely to continue as they are satisfying vital market needs and external investors are drawn to the capital-light nature of these businesses. M&A (particularly deals involving promising InsurTechs) will be another common growth strategy.



Data-driven and insight-led collaboration drive innovation and growth at Swiss Re

The emerging risks faced by businesses today are so complex and diverse that a more systematic approach is necessary to manage them. That's why captives, including virtual captives, have gained traction. But risk transfer and mitigation strategies are only one element of success, according to Ole Ohlmeyer, Swiss Re's global head of customer and distribution management and alternative risk transfer (ART) solutions. Collaboration and co-creation with clients, strong data capabilities and talent are also essential.

"Given current market conditions, firms are more open to discussing alternative structures," said Ohlmeyer. "It's a unique moment to engage and adapt these new, innovative ways to protect against emerging risks." That's why collaboration is key now. Swiss Re actively collaborates with clients, brokers and other industry stakeholders to jointly develop the right solutions. Relative to ART, corporates are seeking to manage a wider range of risks. Typically, they put emerging risks into their own captives, then explore ways to mitigate and transfer those risks (e.g., through traditional stop-loss scenarios). These steps are a pronounced shift from simply adding new covers to existing insurance contracts.

Swiss Re's goal of creating a broader portfolio of ART offerings starts with data-driven understanding of each client's current and evolving risks. "The changing nature of risk severity and frequency is driving the reevaluation of traditional models and development of holistic risk management and protection strategies," said Ohlmeyer.

Emerging technologies such as autonomous vehicles and smart energy grids, along with growing cyber and climate threats, highlight the need for sophisticated data capabilities. "We compete more on data handling and analytical skills than on data ownership," observed Ohlmeyer. "We want to deliver more value through risk advisory services by excelling at lean data integration."

"Despite AI's advancements, the human element remains essential," added Ohlmeyer, who recognizes the intense competition for data-savvy workers. "Though we offer interesting work, the industry needs to better showcase its evolution and future direction to attract talent."

Personalization: the key to growth in personal lines

For many P&C insurers, the path to growth starts with simpler and more flexible products, richer experiences and increased personalization. Operational excellence — with lean, low-cost and highly automated processes — enables carriers to pivot quickly as market conditions shift and experiment with new offerings. In digitizing the customer journey, carriers must resist the temptation to prioritize cost savings over service enhancements.

True digital leadership requires insurers to enrich the core value proposition with ancillary services. They can also extend their expertise and capabilities to support new offerings. Consider how:

- Regional carriers in Europe are tailoring auto coverage for younger drivers, with safety training and education features.
- Bundled and flexible lifestyle packages can combine cyber, data privacy and digital identity protections.
- Standard property policies could be supplemented with climate protections, including notifications and safety tips for policyholders in high-risk geographies.
- Sustainable services can also help reduce future risks, with claims payments providing options to rebuild better with, for example, materials that reduce flood or fire risk.
- The ongoing evolution of UBI will include further growth of subscription models in parallel with increasing adoption of electric and autonomous vehicles.
- As smart home services become more popular, so will smarter insurance policies, including those with IoT-connected sensors providing real-time data streams that alert customers and insurers to changing conditions that could lead to claims.

Firms that meet customers where they are will be best positioned for breakthrough growth, but will have to rethink value propositions and distribution networks. Embedded insurance will continue to gain ground in personal lines, too, as more routine retail purchases and big-ticket expenses (e.g., travel, vacations) are automatically covered. Bancassurance channels are poised for growth in Europe as the Danish Compromise has given way to CRR3. Similarly, the evolution of data sharing and customer control under open finance legislation (e.g., FIDA) means the rules around customer engagement are being rewritten.

Life insurance: growth through flexible products and expanded distribution

The multi-faceted life insurance business incorporates many different business types and segments, from traditional protection and savings products, to fund-based and platform-oriented propositions; from retail and consumer offerings (and related asset management and financial planning services) to commercial group benefits, including protection and retirement products and services. Death and disability products sit alongside living and wellness benefits in the product portfolios of many life insurers.

Given the breadth of the industry and the blurring of traditional boundaries, it's no wonder that so many different types of firms are fighting for the same customers. Retirement services, which are designed to address the pensions and savings gap, are driving the growth agenda for many carriers, with attractive interest rates helping fuel demand. The US shows the growth potential, with new annualized premiums setting a record for the third straight year, according to research from LIMRA.

Across all life insurance sub-segments, carriers will be looking to consolidate platforms, create frictionless experiences and optimize costs. The availability of fit-for-purpose solutions (e.g., new business engines, underwriting workbenches, policy administration systems) is making modernization somewhat easier. With third-party distribution channels becoming more prevalent, the ability to deliver seamless and unified experiences across various products and services has become more important in driving profitable growth.

$400 billion

individual annuity sales in the US, 2024

Source: Swiss Re

$106 billion

US individual annuity sales in 1Q 2024, 13% above prior year results and the highest 1Q results since the 1980s

$15.7 billion

new annualized US life insurance premiums, 2023, representing an annual increase of 1% and setting an all-time record for the third year running

Source: LIMRA

The consumer retirement business: The retirement savings gap and public pension shortfalls are adding to the urgency for carriers to develop new solutions, as are steadily increasing lifespans and aging populations in nations around the world. Savings — whether in personal accounts or public pensions — must last longer because people are living longer and go farther due to continuing inflationary pressures and uncertainty.

While some industry observers point to a gradually building crisis, there is ample opportunities for insurers to build on the foundation of social safety nets with solutions that allow individuals to preserve wealth and maintain their lifestyles. Further, large numbers of customers will be looking for help in managing massive transfers of wealth from older generations.

Products must support customers in both the accumulation phase, as they build their pots and accrue benefits, and the decumulation phase, where individuals stop working (and accumulating) and begin drawing down their savings. Offerings must be flexible to cater to different goals, income levels and types of workers (including gig workers and others in non-traditional employment situations). They must also reflect that the shift from accumulation to decumulation rarely happens at a single point in time. Rather, many individuals will go through an attenuated period that mixes working, saving and drawing down. Fee-based products, unit-linked securities and hybrid products are all poised to become bigger parts of most carriers' portfolios.

There is huge existing opportunity and potential upside for insurers that can devise solutions for the burgeoning financial capacity of the mass affluent segment. Given the financial significance of these investments to customers, accessible, affordable and high-quality advice is the key to unlocking the growth potential. Advice, along with tailored and flexible products, is also critical to address the growing market of high-net-worth individuals and the many others who are involved with intergenerational and inheritance wealth transfer.

There is a high degree of interest in expanding investment options beyond index funds and public market investments to incorporate private and alternative asset classes. Such innovation may require protection of customer outcomes, and assurances that products are suitable and offer value for money.

The commercial retirement business: The long-term shift from defined benefit options to defined contribution products means individuals will continue to bear greater responsibility for their own long-term financial well-being. The in-force obligations sitting on corporate balance sheets (directly or indirectly) present an opportunity for insurers in the pension risk transfer market. The opportunity for such transfers has been accelerated by interest rate changes, access to new asset classes and the use of reinsurance for international risk structuring and the scale of the opportunity in mature markets is considerable.

Demographic factors are also shaping the group insurance market, particularly in the US, where Millennials now represent more than half of the workforce. They are looking for solutions oriented toward wellness and their lifestyles, which often involve caring for both young children and aging parents. Leading group insurers and benefits providers will likely lead the way in adopting GenAI to deliver more flexible and tailored experiences to different workforce segments. Additionally, carriers will look to integrate their offerings with payroll systems and third-party administrators as a mean to improve the experience for both plan participants and sponsors.

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Savings gaps, demographic trends and product innovation contribute to a positive growth outlook for life insurers.

$49-61bn

bulk purchase annuity sales in the UK, 2024

Source: Pension Insurance Corporation (PIC)

Athene plays to win by riding the “silver tsunami”

The not-so-secret sauce for Athene’s impressive track record is based on a unique but hard-to-achieve combination of strategic focus, product innovation, an efficient operating structure, superior asset management capabilities through Apollo, and a high-performance culture. The company focuses on the retirement services market, which has long-term growth potential from the ongoing “silver tsunami” of retirees.

“People are increasingly worried about outliving their income, especially as they observe their aging parents facing financial challenges,” said Martin P. Klein, Athene’s CFO. “Society has done a poor job of saving for retirement, resulting in a fundamental need for guaranteed income. With approximately 11,000 Americans turning 65 every day, the addressable market is massive.”

In the defined contribution space, Athene is starting to work with partners to provide guaranteed lifetime income to plan participants in a target date fund. The value to customers is clear: “Having guaranteed income means you can rest easier,” according to Klein.

Athene has one of the most innovative product suites in the marketplace, with a wide range of options, including fixed annuities, fixed-indexed annuities, registered index-linked annuities and payout annuities. “Athene is constantly evolving our product offerings to provide further benefits to our customers,” says Klein. Over the long term, Athene sees opportunities to unlock new markets with custom built products optimized for different channels and customers.

Innovative products aren’t the only element in the story of Athene’s success. The company distributes its offerings through multiple channels, including broker-dealers and banks. “We have launched new business relationships with five large-scale financial institutions in less than 24 months, and continue to prepare for additional launches with even more partners,” says Klein.

Klein sees increased understanding of annuities as another key to growth, as more consumers recognize the stability they provide to retirement portfolios. Operationally, the company is highly efficient due to its cost structure and scale. The combination of efficiency and attractive products helps it achieve its strong financial results.

Actions for firms:

- Innovate purposefully with a focus on target customer outcomes, moving into non-traditional products and services that drive financial wellness, promote healthier lifestyles and reduce protection gaps
- Choose partners that complement your core strengths with complementary capabilities (including advanced tech and specialty talent)
- Build the capabilities and reshape the culture around expectations for continuous innovation and faster product development, more frequent updates and regular release of new features and enhancements
- Enhance strategic distribution and cross-selling capabilities to gain market share and smooth entry into new markets, based on deeper customer insights and AI-generated recommendations that help maximize customer value

3 Retooling the enterprise with richer data, modernized technology and refreshed talent

Accelerating and scaling transformation programs can create the foundation for operational excellence, repeatable innovation and durable profitability.

To navigate today's complex markets and take advantage of the ample growth opportunities, the most tech-forward and data-driven part of the insurance enterprise needs to be the C-suite. Competitive threats, regulatory changes and rising customer expectations mean that sophisticated tooling and rich data sets need to underpin every aspect of the business.

Data and tech are no longer the exclusive realm of IT departments. Rather they must be baked into key operations on the front lines of the businesses and decision-making processes at the top of the organization, in the C-suite and boardroom. The impacts and value creation opportunities involve product portfolios, go-to-market strategies and service models, as well as adjustments to organizational charts, reporting lines and external partnerships. The insurers that will win with AI tomorrow are those that are using it to reimagine core strategies and retool their operations today.

To get the most out of their AI investments, insurers must move quickly from strategic planning to scalable implementations. Fully integrating these capabilities into everyday operations requires a comprehensive and coordinated plan. The focus is on underwriting and risk assessment, which provides ample innovation opportunities. Some insurers are reluctant to move too quickly or boldly for fear of regulatory backlash. But delaying risks leaving significant value on the table as competitors move ahead.

P&C insurers' priorities for GenAI investments

54%

predictive risk assessments

51%

enhanced underwriting

Source: EY survey, 2024

99%

insurers already investing in GenAI or making plans to invest

Source: EY-Parthenon

Strategically orienting the enterprise around data

Data strategies will clearly link to business strategies and strike a balance between building necessary foundations (e.g., infrastructure, governance, quality standards) and developing the capabilities and use cases that generate near-term value for the business. The roadmap must also consider:

- Readying the organization to harness the power of AI and other advanced technologies
- Building a robust, flexible IT environment and data infrastructure that is future-ready
- Establishing appropriately robust governance models and controls environments for fully automated processes to ensure quality and build trust
- Shifting the management mindset to embrace data as the core enabler of business value
- Taking advantage of regulatory prompts to run the business more effectively

Leadership from the highest levels of the organization helps ensure that AI investments and pilots are strategically prioritized and that successful experiments can be scaled and industrialized quickly. Some functions (e.g., governance, resourcing) are best handled centrally for the entire enterprise, which also helps ensure strategic alignment among AI initiatives undertaken within different business units and functional areas. New data sets and tooling should be essential elements of strategic planning efforts. Decisions with broad impact should no longer be made within individual functions, but rather in synchronized fashion to minimize unintended consequences across the business.

Transforming operations with tech and data

High-level data strategies get translated into day-to-day operations via digitalization and automation. This is the front line of AI-driven operational transformation. In the US and UK markets, non-life leaders have already digitized their value chains and all customer-facing interactions, from shopping and sales to renewal and ongoing support. Some claims require manual interventions, even if straight-through processing remains the target for the vast majority. Digital portals streamline applications via direct links to price comparison sites, with customers receiving quotes and purchase options almost instantly after entering their data. In life, some carriers have seen significant growth from new customers by digitizing application processes and/or joining ecosystems (e.g., pensions dashboards in the UK).

While tight margins in personal lines necessitate such efficiency, processes in the more relationship-driven large commercial and reinsurance business are also being digitized. Automated quoting has driven large efficiency gains for large carriers and brokers alike. Centralized underwriting platforms — or workbenches — put everything underwriters need in one place — with integrated workflows for collecting data, evaluating risks, setting prices, understanding portfolio positions, issuing policies and creating documentation.

Many firms are scaling up their use of APIs and GenAI for the manual workarounds that remain (e.g., management reporting, regulatory filings). Data ingestion (for both slip data and claims data) and post-binding processes are candidates for further automation (especially given huge increases in data volumes). AI-driven ingestion can reduce the need for optical character recognition (OCR) tools and offshoring.

While GenAI has already shown great potential in optimizing routine tasks and creating efficiencies for knowledge workers, Agentic AI, a distinctive new version of AI that handles more complex decisions and tasks, is set for increased adoption in the years ahead. Insurers that effectively blend these different forms of AI will gain a competitive edge, streamlining operations, providing more personalized services and strengthening customer engagement.

Beyond the efficiency gains of automation, AI will also drive performance improvements in dynamic risk modeling, fraud detection and predictive analytics for claims management — all areas that offer considerable near-term benefits for insurers. It will also enable insurers to be more responsiveness to market shifts and evolving customer needs. The bottom line is that full automation has long been a stretch goal for insurers, but AI is putting that reach well within the grasp of most insurers.

35%

potential increase in employees' underwriting capacity from GenAI-enabled automation

Source: Willis Towers Watson

Preparing the workforce and culture for the age of AI

It's an irony of the modern insurance business that human talent is the difference maker between outstanding and mediocre returns on technology investments. That's true not just because of the importance of human-in-the-loop applications but also because of the human impact of this disruptive technology.

Consider how underwriters' roles and responsibilities will change. They will go from manipulating numbers in spreadsheets to refining algorithms. Rather than evaluating individual risks and customers, they'll spend more time evaluating the broader portfolio. The transition may not be comfortable for all, though many will welcome the opportunity to work with more and richer data and advanced toolsets.

While some underwriters could be replaced by AI, a large percentage are likely to leave the workforce anyway. The bigger impact will be the exponentially higher value that skilled underwriters can generate using AI tools to access real-time insights for decision support. And, as EY research shows, many employees have positive attitudes about using GenAI at work and may be attracted to insurers that are forward-looking in their use of AI.

To make the most of GenAI deployments across the business, overall technical agility and digital proficiency will need to increase. Finding in-demand data science and analytics pros, prompt engineers, customer experience designers and beta underwriters is — and will remain — difficult (and expensive). Ecosystems, partnerships and other collaborations can provide easier access to these scarce skillsets. However, those engagements will also require new skills, namely strategic partner selection and relationship management. Market leaders will be proficient in design thinking, rapid prototyping and Agile ways of working.

Cultural changes and shifts in leadership styles will also be necessary. Empowering people and teams across the business to experiment with GenAI (within well-defined parameters) and encouraging them to collaborate more openly will boost return on technology investments.

Again, success with AI and digital transformation requires human skills, talent and judgment. Insurers can use GenAI as a way to attract tech-savvy workers. And they can communicate how their embrace of AI helps produce societal value in the form of stronger protections against serious risks. Despite the headlines about AI eliminating jobs, many businesses find that advanced tech increases workforce engagement, even as it helps them navigate rising labor costs and wages.

27%

insurers that have established GenAI training programs

77%

insurance leaders who believe their workforce does not have strong capabilities to implement GenAI applications

Source: EY European Financial Services AI Survey

53%

employees who say GenAI will positively impact their productivity

52%

employees who say GenAI will positively impact their ability to do high-value work

Source: EY 2024 Work Reimagined Survey

Markel drives transformation with a unified data strategy

Markel is a leading global specialty insurer with diverse businesses spanning personal, small and large commercial lines. The company takes a data-led approach to innovation and transformation. By modernizing legacy systems and creating a unified data strategy, the company is driving toward its goals of better decision-making, more efficient reporting and stronger underwriting results.

The company faces unique data challenges. Its history of growth through M&A left the company with multiple data platforms and legacy systems, which has made data extraction, conformance and sharing across systems more difficult. Its range of operations means each business has unique data needs. "A one-size-fits-all strategy does not work," said Guenter Kryszon, Markel Specialty's chief underwriting officer. "Each business unit requires a tailored approach to data management, depending on its specific products and risks."

Defining key data for each business, the company is establishing seamless data flows across the entire business, from submission and ingestion to claims and through back-end systems, including underwriting and financial systems. "We aim to have one single source of truth for data to avoid multiple answers to the same query," added Kryszon. Accurate data capture is also crucial for reinsurance treaties and financial reporting.

To date, the greatest positive impact has been felt in underwriting, where the digitization of submission and underwriting processes in the international division has led to significant efficiency gain. In fact, the company has boosted underwriting throughput by 113%. AI tools are also helping to streamline the data review process and enabled underwriters to focus on high-value tasks (e.g., more precise risk selection). "Our attitude towards AI is optimistic, particularly in underwriting," said Kryszon.

Digitizing underwriting processes has delivered benefits to customers, brokers and other partners by shortening response times on submissions and increasing the accuracy of risk assessments. On a practical basis, more large brokers are shifting to all-digital submissions.

Culture change smoothed the way for the successful introduction of new technologies and helped address skepticism among underwriters. While underwriters have always used information to assess risk, developing trust in new algorithms and models can take time. Deploying these tools as a complement to an underwriter's expertise enables them to see the benefits first-hand, from reduced manual processes and increased speed, to improved risk selection and profitability.

Kryszon notes that the underwriting role is becoming less about processing submissions and more about strategic negotiation and relationship-building. "The new data and technology are helping us make more informed decisions on deals," added Kryszon. "Ultimately, that translates into a competitive edge in the market."

Actions for firms:

- Ensure that the enterprise data roadmap incorporates both strategic business objectives and standards for quality, access and governance
- Select a specific product line or geography to drive full automation of the entire value chain and customer experience
- Build tiered business cases for both market-facing and back-office AI and data solutions, incorporating cost reductions, productivity gains and new revenue from innovation
- Embed richer data sets to redesign decision-making processes at every level of the business
- Prioritize AI use cases that create human-in-the-loop processes and augment specific jobs
- Identify legacy systems for "wrappering" with APIs to enable secure, real-time connections with external partners and dynamic data flows across the business
- Stay ahead of regulatory developments for data privacy and AI by monitoring trends across markets and engaging with industry groups and authorities to shape potential standards

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