INSURANCE
TOP TRENDS 2024

CONTENTS

FOREWORD

In 2023, the global economy proved more resilient than initially anticipated. Simultaneously, the ongoing economic impact of escalating geopolitical conflicts and historic climate events drove property and casualty (P&C) losses and product shifts in life insurance and annuities. Some of these trends have been ongoing for several years, and others have emerged more recently but will continue to impact the industry's outlook for the foreseeable future.

Despite macroeconomic challenges, we expect the insurance industry to remain resilient and growth to accelerate slightly in 2024 – with an increasing focus on generative artificial intelligence (AI) to reduce costs while improving the customer experience.

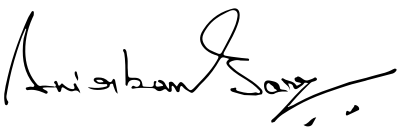
Drastic climate change, natural catastrophes, and global tensions have catalyzed demand for insurance as acute risk awareness prevails worldwide. This awareness is fueling demand for life products, particularly around protection. Moreover, an increase in the severity and frequency of loss events, combined with high inflation, is driving carriers to refocus on insurance fundamentals.

We anticipate the industry will beef up the adoption of cutting-edge technologies - cloud, digital twins, smart devices, and predictive analytics – to streamline underwriting and claims processes, optimize operations, and enrich customer experience.

In 2024, we expect P&C insurers to continue refocusing on profitable organic growth, pulling back in multiple markets, and seeking significant rate increases across business lines. Life carriers will accelerate the launch of new products – particularly around investments, savings, and annuities – that help people age well while leveraging high interest rates.

Over the medium term, expect longevity trends to spark multiple aging-well opportunities and the future of mobility to continue to take shape. We explored these evolving trends in the World Life Insurance Report 2023 by examining the effect of history's largest intergenerational wealth transfer on the life insurance industry. Further, the World Property and Casualty Insurance Report 2023 offered ways for insurers to transition from traditional auto insurance to mobility protection offerings.

As we embark on a year in which there are few guarantees, I invite you to leverage Capgemini's Insurance Top Trends 2024 as a guide filled with practical insights to help steer your organization through the intricacies of the days ahead.



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INTRODUCTION

Insurers worldwide face challenges from rising inflation, sustained natural catastrophe losses, volatile financial markets, high interest rates, growing longevity, and lackluster underwriting performance – particularly in property and casualty. On a positive note, the Organization for Economic Cooperation and Development (OECD) reported that headline inflation has been declining, but it remains above many central bank targets.[1]

ECONOMIC CHALLENGES AND INSURANCE GROWTH

Global losses across property and casualty are trending higher, and claims costs are on the rise across the industry. We expect these trends to continue, which will maintain upward pressure on rates.[2] Concurrently, life carriers are grappling with revenue generation and retention challenges, prompting cost-cutting measures such as layoffs.

- Inflation is expected to persist at a relatively high level of 6.8% in 2023 and 5.2% in 2024, down from 8.7% in 2022. This trend may gradually alleviate the pressure on insurance claims and premium rates for non-life insurers and reduce the rate of policy surrenders for life insurers.[3]
- As a result, growth projections for global insurance premiums were 1.1% and 1.7% for 2023 and 2024, respectively – following a 2022 contraction of 1.1%. Growth drivers include hardening rates in commercial and personal lines, improved investment returns, and de-risking of pension and annuity premiums in the life segment.[4]
- Central bank interest rate hikes create favorable growth and profitability tailwinds for specific products, including demand for annuities and pension risk transfer products, by relieving pressure on profit margins tied to existing annuity books with high minimum-rate guarantees.
- The average return on equity (RoE) for the life segment is estimated to be 8.9% (2020–2022) compared with 8.4% (2010–2019); while for the non-life sector, it stands at 9.9% (2020–2022) compared with 10% (2010–2019).[5] The life segment is slowly accelerating due to improved underwriting results and increased longevity that fuels demand for life insurance products, while non-life performance may stay flat.

MARKET DYNAMICS

- Leading life and P&C insurers outperformed the major global stock markets in 2023, demonstrating resilience due to their defensive nature and relatively stable income prospects. In H1 2023, the foremost global stock market indices collectively increased by an average of 5%, while market capitalization of the top 15 life and P&C insurers increased by an average of 10% and 10.5%, respectively.[6]
- Global InsurTech funding plummeted by 50% to USD 7.3 billion in 2022 compared to 2021. Funding across all product lines, including life (49%) and P&C (48%), saw significant year-over-year declines. In 2023, investment recovery was gradual. While these figures may remain significantly below those of 2021, we anticipate a broad-based rebound across all sectors, especially for InsurTech enablers with a clear path to profitability.[7]
- 2023 global IT spending in insurance was on track to increase by ~7.9% to reach USD 208.4 billion, compared with USD 193 billion in 2022. From 2022 to 2027, spending estimates forecast an 8.1% CAGR driven by IT services and software growth.[8]

LOOKING BACK AT 2023

Life and P&C insurers navigated challenging macroeconomics and significant headwinds in the past year. And many of our 2023 P&C trends and 2023 Life Trends came to fruition.

- For P&C insurers, in 2023, we highlighted an increasing emphasis on embedded insurance, sustainability, and data mastery. We also explored the opportunities arising from new ecosystems in certain business lines, such as mobility, as discussed in our World Property and Casualty Insurance Report 2023.

- For life insurance, in 2023, we called attention to wellness, modernization of core systems, empowering agents with digital tools, and cloud adoption. These trends are maturing and gaining momentum in 2024. Later in the past year, we also focused on aging-well solutions and beneficiary opportunities in our World Life Insurance Report 2023.
- In 2024, in both P&C and life, we will focus on initiatives to enhance underwriting profitability, promote sustainability and inclusivity, and leverage generative AI to achieve operational excellence. For P&C insurers, we will explore insurability concerns, mobility ecosystem solutions, and opportunities to enhance risk modeling. For life insurers, we will deep dive into how to provide age-well solutions to manage the intergenerational transfer of wealth, de-risk legacy systems to enhance customer experience and leverage digital transformation to accelerate the claims process.

TOP TRENDS FOR 2024

Against this complex backdrop, we have identified five industrywide insurance trends as well as five trends each for life and P&C – across three broad themes.

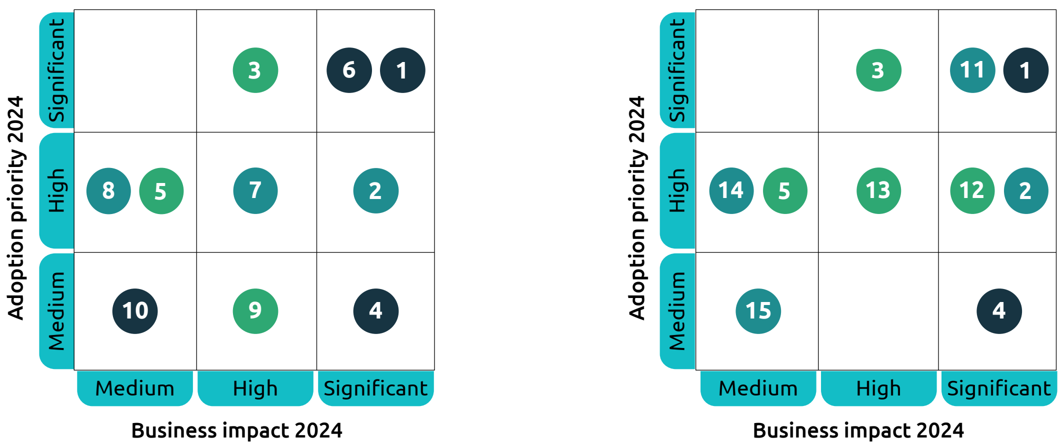
- **Customer first:** Insurers will bolster customer centricity by addressing customer/commercial interests or pain points, enhancing customer experience through generative AI, accelerating the adoption of embedded insurance, and developing partnerships and acquisitions to serve customers across generations.
- **Enterprise management:** Strategic organizational priorities will start by tackling insurability concerns and enhancing underwriting accuracy and operational efficiency, while focusing on sustainability and inclusivity.
- **Intelligent industry:** Digital technologies will impact revenue streams across the value chain. Insurers will adopt a low- code/no- code approach to address cost pressures and cloud to achieve operational excellence. They will de-risk legacy systems to reduce information lift and shift associated with legacy/mainframe technology.

INSURANCE TOP TRENDS 2024 - PRIORITY MATRIX

Customer first	Enterprise management	Intelligent industry

General Insurance Trends	
1	Underwriting accuracy and efficiency improve with predictive analytics and smart devices
2	By leveraging generative AI, insurers aim to enhance operational efficiency and nurture stronger customer relationships
3	Cloud adoption is enabling insurers to achieve operational excellence while improving customer experience
4	Sustainability and inclusivity can boost business performance while contributing to environmental and social initiatives
5	Low- code/No- code is addressing cost pressure for insurers and accelerating digital transformation

Property & Casualty Insurance Trends		Life Insurance Trends	
6	Insurers are refocusing on fundamentals by recalibrating underwriting techniques for more precise risk assessment	11	The rise in the aging population and the largest wealth transfer in history is driving demand for aging-well insurance solutions
7	In the mobility sector, insurers are evolving into solution co-designers, moving beyond product development	12	By de-risking legacy systems with an API wrapper, insurers can power up customer experience
8	Embedded insurance evolves towards value-centric models while building a foundation for lasting customer value	13	Life insurers deploy digital transformation to optimize the claims process and improve beneficiary experiences
9	To enhance the understanding of asset-risk relationships and pricing, insurers are exploring digital twin adoption	14	Insurers embrace innovation and value-added services for inter-generational relevance
10	On the horizon: Quantum computing may unlock insurance innovation opportunity	15	Partnerships and acquisitions bolster insurers' Wellness-as-a-Service solutions



Source: Capgemini Research Institute for Financial Services analysis, 2023.

The priority matrix above presents Capgemini’s 2024 trend prioritization in an operating environment that includes:

- Softening inflation and high-interest rates, coupled with stagflation trends
- Geopolitical instability
- Dynamic regulatory activity
- Intense competition and increased focus on customer centricity due to the impact of new-age players
- Operational cost overruns and high capital lock-in

Adoption priority – The criticality of adopting a 2024 trend to maximize value creation because of its sector importance.

Business impact – The effects of a trend on the sector’s 2024 business as it relates to customer experience, operational excellence, regulatory compliance, or profitability.

Circumstances will vary for each firm depending on business priorities, geographic location, and other factors.
For more information, don’t hesitate to contact us at insurance@capgemini.com.

GENERAL INSURANCE TRENDS

TREND 1

Underwriting accuracy and efficiency improve with predictive analytics and smart devices

Underwriting gets a facelift through automation, data, and technology to boost profitability, competitiveness, and fraud prevention.

CONTEXT

The insurance industry is rapidly evolving, striving to improve underwriting quality and assess risk more precisely through the broad adoption of smart devices and predictive analytics.

- From wearables to connected cars, smart devices empower insurers to harness real-time data for risk analysis, which enhances risk management, enables precise risk modeling and personalized underwriting, and supports accurate pricing.
- Data from Internet of Things (IoT) devices enables quicker underwriting processes because policyholders no longer need to input their data manually. Meanwhile, predictive analytics enhances underwriting accuracy and reduces losses for insurers by identifying emerging risks in advance.
- Insurers are increasingly exploring the use of a combination of historical data, real-time data, and advanced analytics to create predictive models, which identify high-impact risks and help forecast future events such as life-changing events and natural catastrophes, thus enabling better underwriting decisions.
- Accuracy gains in risk modeling translate to more precise pricing strategies. Insurers can customize premiums based on a thorough understanding of individual risk profiles, resulting in fairer pricing for policyholders.
- However, the increasing adoption of smart devices might amplify cybersecurity threats, a challenge that needs to be proactively addressed by Insurers.

CATALYSTS

Insurers are shifting from traditional data reliance to advanced data-driven strategies, ensuring accurate underwriting in the digital era.

- According to financial results from data analytics provider Verisk and the American Property Casualty Insurance Association (APCIA), P&C insurers in the United States suffered a nearly USD 27 billion net underwriting loss in 2022, mainly due to increasing input costs, natural catastrophes, legal system abuse, and resistance in some states to adequate rates. The data also suggests that inaccurate risk assessment models cost US insurers money. Capitalizing on alternative real-time data offers opportunities to boost underwriting precision, enabling more efficient risk pricing.
- The combined ratio for the US P&C insurance industry – a key measure of profitability for insurers – deteriorated to 102.7% in 2022 from 99.6% in 2021. [9]
- According to a Q2 2023 IoT Analytics report, global IoT connections grew by 18% in 2022 to 14.3 billion active IoT endpoints. For 2023, the firm expects worldwide IoT devices to grow 16% to 16.7 billion active endpoints.[10] As connected device use proliferates, insurers can access precise data on individual consumers' loss exposure to enable proactive and personalized interventions.
- The global insurance analytics market, valued at USD 9.12 billion in 2022, is projected to reach USD 29.28 billion by 2032 – with a 14% CAGR during the forecast period (2022–2032), according to Reports and Data. Analytics solutions can equip insurers to refine risk assessment, tailor policies, and enhance profitability while avoiding underpricing and overpricing risks to maintain market share.[11]

IN A NUTSHELL

Integrating smart devices and predictive analytics enhances underwriting accuracy and efficiency, contributing to more precise and competitive pricing strategies.

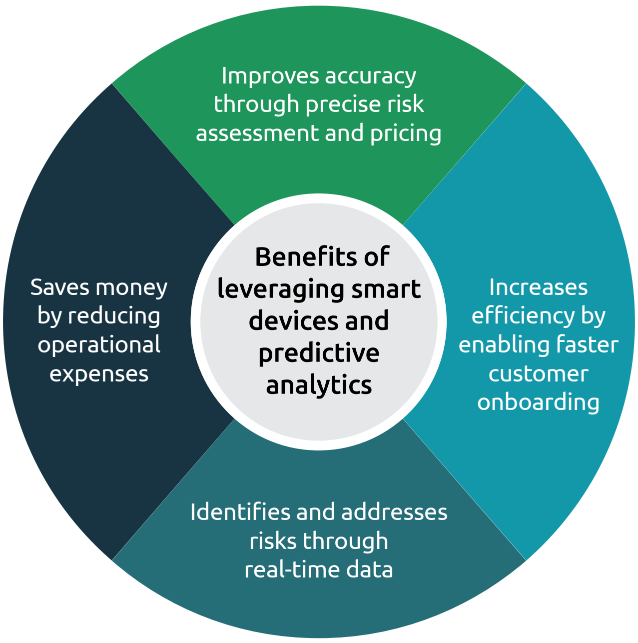
- Swiss insurer Zurich underwrites the Sky Protect's Smart Home Insurance package, featuring a suite of smart home tech products including a video doorbell, indoor camera, leak detectors, motion sensor, and contact sensors, all accessible via the Sky Protect app.[12]
- Global professional services firm Aon partnered with AbsoluteClimo, an Asia Pacific climate data and analytics provider, to advance climate modeling and inform better decisions as organizations navigate climate-based perils. AbsoluteClimo's data, including climate forecasts for months and years ahead, informs Aon's catastrophe modeling for clients, facilitating forward-thinking underwriting and pricing strategies. The 2023 partnership enhances risk understanding through advanced data and analytics.[13]
- Amplify Health, a health tech partnership between AIA Group Limited and Discovery Group Limited, acquired AiDA Technologies, an AI solutions provider. AiDA's machine learning technology streamlines underwriting and claims processing, improving data utilization for efficiency. The acquisition strengthens Amplify Health's digital health solutions, promoting healthcare sustainability and better outcomes, and it reduces underwriting assessment times, expedites policy issuance, enhances customer experience, and advances digital transformation in insurance.[14]

IMPACT

Insurers are evolving from relying solely on traditional historical data like demographic information, geographical data, claims history, and other details to embracing dynamic and data-driven approaches that ensure underwriting remains accurate in the digital era.

Integrating smart devices and predictive analytics into underwriting processes enhances insurers' risk assessment capabilities and generates significant benefits (Figure 1). It also propels real-time and technologically advanced underwriting processes, enabling faster policyholder onboarding by reducing issuance time. We expect this trend to continue into 2024 and beyond as technological advancements accelerate automation and enhance underwriting accuracy.

Figure 1. Smart devices and predictive analytics accelerate automation and enhance underwriting precision



Source: Capgemini Research Institute for Financial Services analysis, 2023.

GENERAL INSURANCE TRENDS

TREND 2

By leveraging generative AI, insurers aim to enhance operational efficiency and nurture stronger customer relationships

Generative AI offers highly personalized interactions, superior customer experience, and heightened policyholder engagement and satisfaction – all while reducing operational costs.

CONTEXT

According to 2023 Goldman Sachs research, generative AI could boost global GDP by nearly 7% and increase productivity by 1.5 percentage points in the coming 10 years.[15] Given its potential to swiftly reshape the global economy, all sectors of the economy are exploring how to take advantage of it. The insurance sector is no exception, and generative AI will have a profound influence.

- The impact of generative AI on the insurance industry will be multi-faceted as it tackles challenges in data processing, customer personalization, and operational efficiency (Figure 2). Its natural language capabilities empower insurers to leverage technological advancements to meet customer demand for personalization.
- As insurers accelerate their generative AI journeys, they expect benefits across the value chain including improved customer engagement through better product design, augmented marketing and distribution, more accurate pricing and underwriting, faster claims processing, and lower operational costs.
- Generative AI elevates the efficiency of underwriters and claims adjusters while enhancing business operations. Insurers are beginning this journey by investing in low-risk content – such as generating reports, customer communications, and marketing materials – to reduce costs and optimize resource allocation, fostering cost savings and operational efficiency. Aligning these investments with their business strategy ensures long-term success in the evolving insurance landscape and promotes a high-value, low-risk environment.
- At the same time, insurers must grapple with the dual challenge of explicability in generative AI decisions and adherence to regulatory compliance in handling customer data and data privacy due to the sensitive nature of information within the insurance sector. The complexity of generative AI algorithms can obscure decision-making processes, making it essential for insurers to balance technological advancements and data privacy regulations.

Figure 2. Generative AI can unlock opportunities across the insurance value chain

Efficiency	Automate routine tasks, optimizing resource allocation
Risk Mitigation	Assess risk accurately and detect frauds
Compliance & Security	Ensure adherence to regulations and enhance data security
Personalization	Tailor services to individual preferences, fostering hyper-personalized services
Customer Satisfaction	Deliver prompt and relevant support, leading to higher overall satisfaction

Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

According to a 2023 report from MarketResearch.biz, global generative AI in the insurance market may be worth around USD 5.5 billion by 2032 – up from USD 0.3 billion in 2022, a nearly 33% compound annual growth rate.[16]

- The driving force behind the adoption of generative AI in the insurance industry is the pace at which the technology matures, becoming more accurate and accessible. Its adoption benefits from extensive and diverse datasets, advanced algorithms, and pre-trained models, simplifying deployment. The availability of open-source resources further accelerates generative AI development and implementation, making it a powerful and user-friendly tool.
- Boosting operational efficiency is the need of the hour for insurers. Generative AI offers opportunities to create efficiencies and transform the industry, by assisting insurance agents in prioritizing and personalizing outreach, enabling underwriters to streamline risk assessment and focus on value-added tasks, and revolutionizing the overall customer experience.
- Generative AI can potentially elevate customer experience and service quality, particularly in claims processing – by automating operations and detecting potential fraud while improving accuracy.
- Insurers are strategically engaging in the innovation ecosystem and forming partnerships with advisors and tech giants such as Google, Microsoft, and Amazon. This approach helps them secure a first-mover advantage, explore innovative solutions, and expedite the introduction of new AI capabilities to the market.
- Insurers are adopting and creating new AI products and patenting AI investments as their understanding of its potential grows.

IN A NUTSHELL

Generative AI is rewriting the playbook for insurance customer engagement and operational efficiency. As insurers harness the technology, they foster stronger relationships and elevate their industry standing.

- Capgemini and Google Cloud established a global generative AI center of excellence in May 2023 to drive innovation. Capgemini has leveraged Google Cloud's generative AI to develop a rich library of more than 500 industry use cases. Capgemini developed an intelligent document query assistant together with a prominent insurance company operating in 50 countries to improve query response time and effectiveness. With support from Google Cloud's generative AI specialists, Capgemini engages its 65,000-strong Google Cloud community worldwide to scale its pool of certified AI consultants and developer talent.[17]
- Swiss global insurer Zurich is actively testing generative AI applications, such as ChatGPT, in areas including claims and modeling. Zurich will use the technology to extract information from long documents, including claims descriptions. The goal is to improve underwriting by integrating six years of claims data to identify unique causes of loss across the claims process.[18]
- Sedgwick, a U.S.-based insurer and claims management services provider, introduced Sidekick, an innovative application that utilizes Microsoft's OpenAI GPT-4. Specifically designed for internal use in Sedgwick's Azure environment, Sidekick empowers claims professionals with generative AI and natural language processing, transforming their daily tasks. This technology enhances claims documentation, data categorization, and analysis, showcasing Sedgwick's commitment to streamlining the insurance claims process.[19]

IMPACT

While current adoption is in its infancy, generative AI's application on claims management and customer service will likely be the first significant area of impact in insurance. As use cases scale, they will demonstrate AI's considerable potential to transform policyholder retention and satisfaction while lowering operational costs.

As insurers embrace this trend in the evolving digital landscape, it holds growth and operational efficiency potential. Adoption is accelerating as the generative AI benefits for insurers become apparent. This technology will likely make the industry more customer-centric and efficient in the coming years.

GENERAL INSURANCE TRENDS

TREND 3

Cloud adoption is enabling insurers to achieve operational excellence while improving customer experience

Insurers are ramping up the adoption of cloud-native solutions with an eye on rapidly migrating data, applications, and services to cloud-based platforms while tackling legacy system constraints.

CONTEXT

Insurers view cloud capabilities as essential pillars to tackle the challenges posed by legacy systems and processes. As they expedite legacy modernization, they are increasingly transitioning core processes to the cloud. They are also prioritizing cloud-native software development and deployment, optimizing applications for the benefits of cloud computing environments. In adopting cloud, insurers can:

- Initiate cloud transformation through a phased approach, prioritizing key business areas such as underwriting and claims for growth and efficient migration with the goal of achieving business agility.
- Align cloud strategies with operational productivity and customer satisfaction while implementing a robust cloud target operating model or TOM, which is a strategy that focuses on return on investment, talent, API strategy, compliance and security, cloud partners, and cloud providers to facilitate innovation and competitiveness.
- Implement cloud at scale to unlock opportunities for adopting innovative technologies such as generative AI. Technological agility and scalability will help insurers tackle long-standing speed-to-market challenges and offer hyper-personalized solutions to meet ever-evolving customer demands while realizing operational efficiency.
- Insurers can also substantially reduce costs with the cloud by eliminating on-premises hardware and complex infrastructure management to optimize resources.

Due to security concerns and integration issues, most insurers have relied on the cloud for non-core functions – customer service, human resources, etc. Yet, insurance leaders' mindsets are taking a turn.

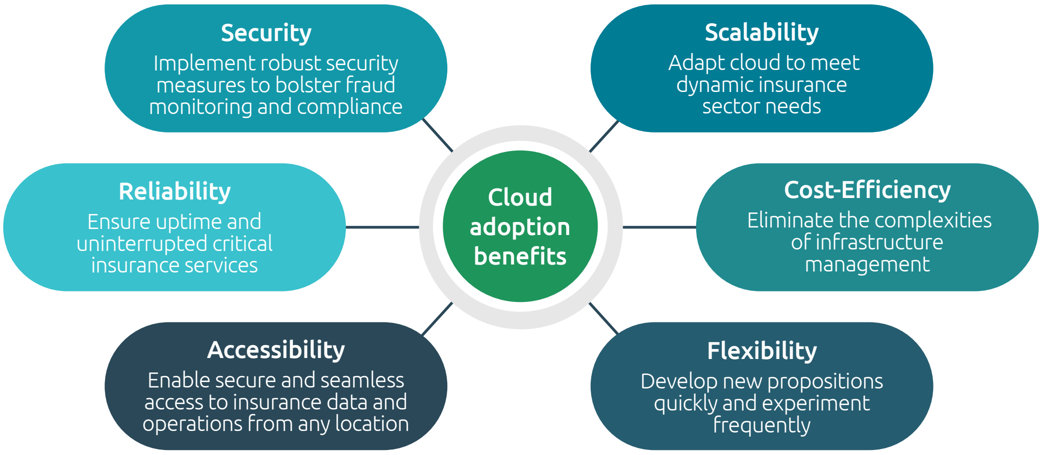
CATALYSTS

Insurance sector cloud adoption has surged from 27%-32% in 2020 to 85%-88% in 2023, according to Capgemini's inaugural World Cloud Report 2023 – Financial Services. This transformation underscores the industry's growing commitment to cloud solutions for cost reduction and enhanced digital flexibility. A 2023 Everest Group study involving more than 75 insurance enterprises reported that 70% of insurance leaders said cloud-related initiatives constitute more than 20% of their IT expenses. By adopting and investing in the cloud, insurers can drive business agility and lower the cost of ownership.[20]

- Collaborative partnerships between insurance companies and cloud providers drive cloud adoption. Alliances can give insurers access to cutting-edge cloud technology and expertise to foster market expansion while ensuring data security.
- Our "World Cloud report 2023" also revealed that nearly half of insurance executives prioritize boosting operational efficiency and improving customer relationship management as they undergo cloud migration.
- Furthermore, more than 45% of those surveyed emphasize that the adoption of cloud technology is vital for bolstering risk management in both the P&C and life insurance sectors.
- Advanced cloud capabilities combined with data analytics and artificial intelligence increasingly help insurers to automate processes, provide policyholders and claimants with tailored services and multi-channel interactions, lower error rates, and perform more straight-through processing – eventually leading to increased operational efficiency.

Thus, transitioning to the cloud empowers insurers to foster innovation, improve customer experiences, refine risk management, and achieve cost-effectiveness (Figure 3).

Figure 3. Cloud adoption is reshaping operations by improving cost-efficiency and driving innovation



Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

The insurance industry is in a transformative phase, capitalizing on cloud technology and data integration. As they continue implementation, insurers are emphasizing cost reduction and digital enhancement.

- AXA UK, a subsidiary of French multinational insurer AXA, transitioned in 2022 to Microsoft Azure's PaaS cloud environment to augment online quote management. AXA aims to automate pricing model deployment by leveraging Microsoft Azure Machine Learning's managed endpoints, and to deliver more precise online quotes by optimizing performance and reducing response times.[21]
- Thai Life Insurance opted for Munich Re Automation Solutions' ALLFINANZ SPARK, a cloud-based automated underwriting solution, to streamline its life insurance application process. This move will boost Thai Life Insurance's straight-through processing rate and elevate customer experience through quicker processing and personalized risk evaluations.[22]
- A UK-based global P&C insurer collaborated with Capgemini to integrate their underwriting system with Willis Tower Watson's (WTW) data and analytics software, RADAR. This collaboration streamlined the underwriting process, allowing for cloud-hosted deployments and real-time pricing calculations, significantly reducing the time required for underwriting and pricing decisions.[23]

IMPACT

Expect cloud adoption to accelerate, reaching more and more parts of the insurance business in 2024 and beyond. Insurers that select the right cloud-based core system and successfully design and execute their migration strategy will become more flexible and agile in accessing the necessary digital tools to meet evolving customer expectations.

Migration from legacy platforms to the cloud empowers insurers to seize new opportunities and enhance security and customer responsiveness. Strategic insurers will focus on re-engineering core processes to harness cloud potential completely. For example, API digital wrappers can securely expose legacy data sources into the cloud. This transformation will be pivotal in facilitating generative AI implementation. Adopting a phased approach is essential to a successful transition, especially considering expected constraints on IT budgets.

Forward-thinking insurers are accelerating migration at scale by prioritizing specific business areas like underwriting, claims, and functionalities aligned with their cloud target operating model. Early adopters can gain a competitive edge; At the same time, those resistant to change may struggle to compete.

GENERAL INSURANCE TRENDS

TREND 4

Sustainability and inclusivity can boost business performance while contributing to environmental and social initiatives

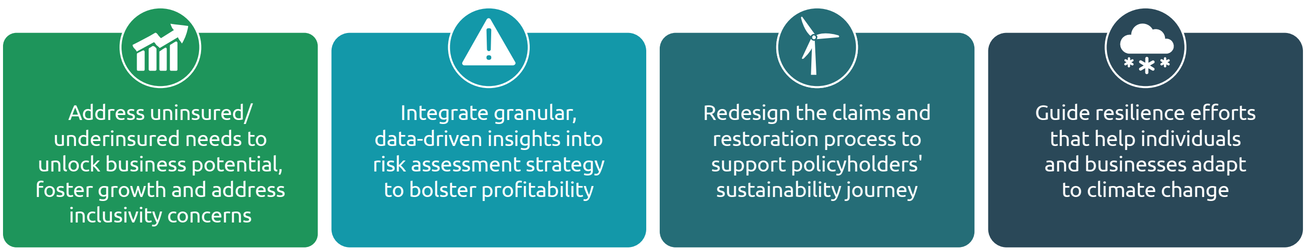
Insurers are selectively prioritizing sustainability and diversity initiatives that can positively impact their bottom line while meeting customer and regulatory expectations.

CONTEXT

Global conditions and heightened stakeholder awareness compel insurers to consider ethical practices that create value through selective sustainability and inclusivity efforts. Many insurers prioritize integrating environmental, social, and governance (ESG) principles and data into their underwriting operations and for regulatory reporting purposes. Few offer resilience solutions while embedding sustainability and inclusivity into corporate strategies and education initiatives.

- Firms can deliver value by integrating ESG strategy into investment and underwriting operations. However, according to Capgemini's World Property and Casualty Insurance Report 2022, only 8% of insurers globally were resilience champions, outperforming peers through advanced data analysis capabilities, risk-prevention solutions, and sustainability-driven underwriting and investments.
- P&C insurers are collecting and extracting scalable insights from vast unstructured data sources to improve underwriting accuracy and address more frequent and severe natural catastrophe (Nat Cat) events. Meanwhile, life insurers seek a deeper understanding of the impact of climate change on health and well-being, including elements like pollen levels, heat indices, and wildfires.
- Globally, regulatory frameworks are evolving, as seen in Europe's Corporate Sustainability Reporting Directive (CSRD) and California's Climate Accountability Act, both mandating ESG emissions disclosure. These regulations aim to ensure accurate and consistent reporting of emissions, which require data repositories and automated data collection to ensure they can withstand scrutiny from auditors while reducing business environmental impacts. Employing AI-powered sensors is pivotal for automating emissions data collection and analysis, facilitating regulatory compliance.
- As a part of their expansion efforts, insurers are considering the needs of uninsured and underinsured populations. They are focusing on inclusive products priced for at-risk consumers, such as cancer patients or those with diabetes, to create growth opportunities while addressing gaps in life insurance protection and retirement.
- Firms that advocate inclusivity and social responsibility – while aligning with regulatory requirements – may bolster brand recognition (Figure 4). This approach may attract values-driven consumers and investors.

Figure 4. Sustainability and inclusivity can boost business performance and help achieve ESG goals



Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

As the frequency and severity of natural catastrophe events rise, those affected most are often vulnerable populations. As a result, inclusivity and sustainability remain at the top of insurers' agendas as long as they can drive clear value despite business model challenges, regulatory intricacies, and an evolving technology landscape.

- A Swiss Re study calculated those natural disasters led to global economic losses of USD 275 billion in 2022. Insured losses made up 45% of the total, reaching USD 125 billion, making it the fourth-highest annual figure reported by Swiss Re. The study also reported 285 catastrophic events that led to the deaths or disappearance of more than 35,000 victims worldwide in 2022, a significant increase from the reported 17,000 in 2021.[24]
- A France Assureurs study predicts that cumulative 30-year Nat Cat claims volumes will grow by 93% globally from EUR 74 billion during 1989-2019 to EUR 143 billion from 2020–2050.[25]
- Our Weathering the Climate Change Storm point of view, launched during New York's September 2023 climate week, found insurers' climate-risk priorities had escalated, with 56% of senior executives saying climate events were among their top three concerns in 2023, up from 44% in 2022.
- Regulatory mandates are driving ESG compliance, and firms require accurate insights to evaluate the impact of their strategies on investment, underwriting, and other areas.
- Consumers say they will pay higher premiums from providers with credible sustainability records. A 2022 Global Data survey revealed that 41% of UK policyholders are willing to pay more for coverage from insurers with good sustainability records, showcasing the potential to boost loyalty among ESG-minded customers.[26]
- From 2018 to 2022, the global protection gap grew by 20%, reaching USD 1.8 trillion in premium equivalent terms, according to Swiss Re. Embracing inclusivity has the potential to reach untapped markets through tailored, accessible, and sustainable coverage for low-income and marginalized customers.[27]
- Inclusivity is also gaining momentum as a result of support from the International Association of Insurance Supervisors (IAIS) and the Access to Insurance Initiative (A2ii), placing importance on adequate supervision, insurance accessibility, and consumer protection. Approximately 30 regulatory authorities in 43 markets have implemented related guidance.[28]

The intersection of sustainability and inclusivity underscores the need for proactive underwriting techniques and claim management tools for growth and resilience.

IN A NUTSHELL

Leading global insurers are proactively taking on climate actions, risk management, and inclusivity while expanding related services that meet dynamic customer needs.

- US-based global P&C insurer Chubb launched Climate+ in early 2023 to provide products and services to businesses developing or employing low-carbon economy technologies and processes. The initiative includes risk management and resiliency services to manage climate change impact.[29]
- AXA, the French insurance company, has introduced a Digital Commercial Platform (DCP) that unifies multiple services within AXA Smart services and AXA Climate, encompassing risk insights and sustainability services that include training, consulting, insurance, and financing to serve P&C commercial clients better. This platform optimizes the utilization of real-time data and analytics acquired through satellites, drones, and sensors. The aim is to offer innovative global solutions, expanding services beyond traditional insurance to provide risk assessments and prevention advice for evolving corporate client needs, all while simplifying the customer experience and contributing to sustainability.[30]
- US-based global carrier Guardian Life expanded its offerings to enhance inclusivity, including coverage for individuals living with HIV. Medical advancements have led to insurers treating HIV much like other chronic conditions. Guardian provides term and whole-life insurance options for those seeking to secure financial stability and protect their loved ones. Whole life offers lifelong protection with a cash-value component, while term life covers a specific period without cash value. [31]
- Australia-based insurer QBE Insurance Group helps communities become more resilient and prepared for climate change impacts. QBE funds organizations like Trees for Life to encourage native vegetation and create wildlife corridors. It also developed an Environmental and Social Risk Framework that considers biodiversity and ecosystem services to manage environmental risks across underwriting and investments.[32]
- Swiss Re, in collaboration with Singapore-based Income Insurance, launched Complete Cancer Care. The initiative illustrates the significance of comprehensive insurance solutions, including a guaranteed post-cancer term option and support from diagnosis to recovery. Complete Cancer Care alleviates patients' financial burdens and addresses Singaporeans' insurance requirements while tackling the nation's protection gap.[33]

IMPACT

For 2024 and beyond, we anticipate insurers will address specific sustainability challenges by enhancing their understanding of and adaptation to evolving risks through improved underwriting and helping customers to become resilient. Investments will focus on compliance and reporting, signaling a commitment to transparency. The emphasis will be on pragmatically integrating ESG considerations into core business activities while meeting profitability goals. Tasks involve identifying and mitigating ESG risks, seamlessly factoring them into underwriting strategies, and incentivizing judicious sustainability efforts aligned with business objectives. Proactive insurers can selectively launch offerings around evolving environmental and social trends while supporting profitable growth. Meeting stakeholders' sustainability and inclusivity expectations will be increasingly important. But in today's climate, insurers will prioritize sustainability initiatives that tangibly strengthen operations, customer engagement, and earnings.

GENERAL INSURANCE TRENDS

TREND 5

Low-code/no-code is addressing cost pressure for insurers and accelerating digital transformation

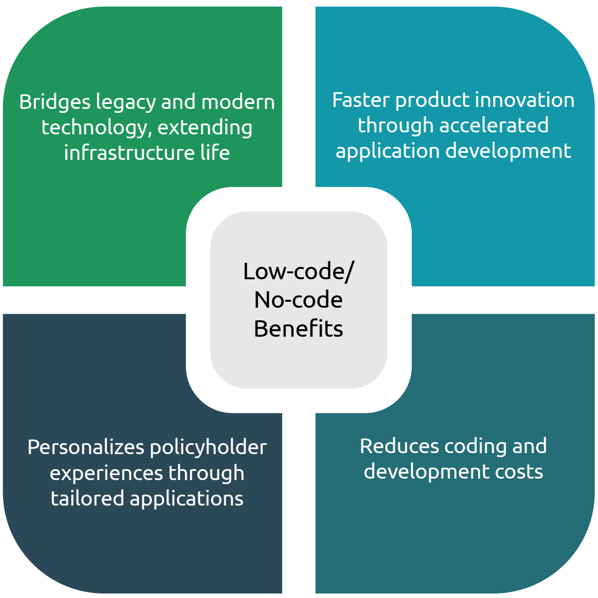
Leveraging low-code/no-code platforms, insurers can speed up innovation, provide cost-efficient personalized solutions, and maintain competitiveness as the landscape evolves.

CONTEXT

Low-code/no-code (LCNC) platforms empower the development of software, services, and information systems with minimal manual coding, employing user-friendly graphical interfaces and customizable tools. LCNC platforms offer ways to reduce software development expenses which helps insurers to manage costs and navigate around legacy system limitations (Figure 5). Further, they:

- Leverage codeless architecture to make fast, efficient application development and integration possible by enabling non-technical business teams and users to create customer apps - bridging the business and information technology gap.
- Provide a competitive edge for insurers by enabling rapid development and deployment of scalable solutions in response to dynamic market conditions and customer needs.
- Allow augmentation of outdated systems without extensive redevelopment to reduce development costs through minimal manual coding.

Figure 5. Low-code/No-code technology empowers agile, cost-effective, customer-centric insurance solutions



Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

Gartner forecasted that the global LCNC market would grow to nearly USD 27 billion in 2023, up almost 20% from 2022.[34] And by 2025, application development will represent over 70% of LCNC platform activity.[35]

- Harnessing LCNC platforms can be cost-effective for insurers by accelerating software development and reducing the necessity of highly specialized engineering teams to deploy scalable, tailor-made products. By strategically integrating an appropriate LCNC platform, carriers can expedite the development of customized solutions, enhance operational efficiency, and manage costs.
- Platforms such as Mendix, OutSystems, and Innoveo, customize solutions for insurers. Meanwhile, Appian and Unqork offer ready-made claims solutions, striking a balance between cost-effectiveness and personalization.
- LCNC platforms streamline workflows for efficient processing, automate tasks to reduce errors and provide policyholders with easy-to-use self-service portals. They also enable data analysis for fraud detection and risk assessment and offer scalability to adapt to changing demands, improving the claims process for insurers and policyholders.
- A 2023 survey conducted by European insurance software provider Adacta, involving 100 insurance executives, found that 82% of insurance organizations experienced improved operational efficiency as a result of implementing LCNC. Furthermore, one third of the respondents indicated that they had observed a significant increase in operating speed, estimating it to be in the range of 21 to 40%.[36]

IN A NUTSHELL

The adoption of LCNC tools in the insurance sector is widespread, as they assist in attaining digital transformation objectives and improving development outcomes.

- Swiss global insurer Zurich developed and implemented two enterprise-wide solutions via the Mendix low-code platform; the solutions streamline workflow for underwriters and enhance customer experience. Using Mendix, Zurich rebuilt a legacy policy application and developed the My Plans Portal, which enables customers to access pension and investment information in one place. The low-code platform improved development efficiency and accelerated version iterations.[37]
- US-based no-code platform provider Innoveo entered a strategic partnership with Capgemini. Together, they deliver no-code insurance solutions to support a sizeable multinational insurer, enabling customized digital transformation across various sectors. Innoveo's powerful full-stack no-code platform allows insurers to create applications quickly without coding expertise. No-code architecture streamlines and expedites digital transformation, elevating insurers' competitiveness and adaptability.[38]
- YF Life, a Hong Kong-based insurer, collaborated with OutSystems in 2022 to implement an advanced paperless workflow system to improve operational efficiency using objects for data storage and processing. Integrating technologies such as optical character recognition and robotic process automation now enables staff to work more efficiently by automating workflow management, supporting some 20 business units within the company, and significantly reducing staffing and the amount of paper used, thanks to over eighty automated workflows. YF Life says it will further automate to enhance customer service so policyholders can manage their coverage via an online portal. OutSystems' low-code platform enabled rapid digitalization, resulting in seamless user experiences and efficient employee workflows.[39]

IMPACT

The LCNC trend is gradually transforming the insurance industry by accelerating digital evolution and optimizing operational efficiency. LCNC platforms reduce implementation time and alleviate burdens on IT teams. Insurers can swiftly advance digitalization efforts without hefty IT investments, leading to streamlined operations and enriched user experiences while flexibly responding to market dynamics.

LCNC platforms will continue to positively impact insurers by enabling efficient development, simplifying testing and scalability for non-technical staff, and promoting seamless integrations. This transformative trend is poised to shape the insurance landscape in 2024 and beyond.

P&C INSURANCE TRENDS

TREND 6

Insurers are refocusing on fundamentals by recalibrating underwriting techniques for more precise risk assessment

As the frequency and severity of natural catastrophe events grow, property and casualty insurers are recalibrating underwriting techniques for more precise risk assessments.

CONTEXT

In the ever-evolving P&C insurance sector, a leading concern is insurability – or the degree to which an individual or commercial business is deemed coverable by a carrier based on assessing potential risk. Many insurers are re-evaluating underwriting and risk-pricing strategies as climate-related perils and emerging liabilities grow in complexity and frequency. This shift encompasses a comprehensive approach to enhance the underwriter experience though advanced technologies and an emphasis on risk assessment accuracy.

- With growing insurability concerns, insurers are reducing coverage, raising insurance premiums based on the level of risk, and even refusing coverage if risks become excessive. To tackle these concerns, some insurers are enhancing risk assessment techniques and underwriting procedures for more precise risk categorization. Carriers are collaborating with InsurTechs and data providers for real-time data insights to strengthen underwriting.
- Insurers are harnessing actionable insights from vast datasets with advanced technologies such as artificial intelligence, satellite/aerial imagery, and data analytics. These insights guide improved risk assessment and pricing, aligning premiums with actual risk exposure.
- Carriers are also proactively engaging with policyholders to mitigate risks and prevent losses. By promoting preemptive risk reduction measures and offering interactive feedback loops, insurers can boost insurability by reducing potential claims and associated financial impacts (Figure 6).

Figure 6. To confront insurability issues, P&C insurers take a multi-pronged approach

Policyholder engagement	Develop interactive feedback loops to fuel engagement, augment risk management, and enhance insurability
Data Management	Implement strategies such as data governance and automation for enhanced risk assessment and security
Innovation	Deploy advanced technology to increase risk assessment accuracy - cost - effectively
Profitability	Reassess participation strategy to reduce exposure to assets that can't be properly priced

Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

The rapid evolution and increasing complexity of risks – including climate and cyber risks – pose significant challenges including the potential for higher claim payouts, increasing loss ratio, and straining firms' financial profitability. Insurers are reassessing underwriting fundamentals to ensure that coverage adequately aligns with the intricate nature of modern risks: unfortunately, as a result, some policyholders have been left with inadequate or no coverage.

- According to Capgemini's World Property and Casualty Insurance Report 2022, 74% of insurers acknowledge that climate change substantially influences insurability.
- Urbanization and population growth in risk-prone areas heighten the potential losses from Nat Cat events, leading to social and economic inflation, higher repair costs, and insurance claim expenses. Regulatory constraints on rate adjustments contribute to more uninsurable locations.
- As a result, insurers are compelled to assess and fortify underwriting basics within high-risk geographies (flood zones, earthquake fault areas, wildfire regions) and significantly raise prices, leading to affordability issues. In certain jurisdictions, regulatory restrictions further compound this problem, prompting some insurers to make the difficult decision of exiting specific markets altogether. For example, State Farm and Allstate no longer offer homeowner coverage in California. At the same time, other carriers have ceased coverage in Colorado and Gulf Coast states.[40]
- By prioritizing underwriting fundamentals, carriers can reinforce core insurance principles, align with emerging challenges, and enhance their ability to provide protection and risk mitigation for all policyholders irrespective of geography or propensity for risk.

IN A NUTSHELL

Insurers acknowledge the necessity to recalibrate their fundamentals to ensure the insurability of potential risks.

- US-based Nationwide Mutual Insurance launched a re-underwriting initiative in June 2023 in response to catastrophic events, inflation, and economic volatility. The company is implementing a stringent pre-quote documentation requirement for certain personal-line products in select states, ensuring a thorough risk assessment for new policies. Moreover, the company is fine-tuning its commercial lines portfolio to balance risk exposure, promoting better profitability and resilience against potential financial losses.[41]
- A US P&C carrier initiated an underwriting transformation program by partnering with India-based Intellect Design to leverage the software firm's Intellect Xponent, an AI-powered platform designed for commercial, specialty, and excess and surplus lines insurance. The carrier centralized its data by leveraging Xponent's configurable workflows and rule engine and accessing third-party data sources, enabling a comprehensive view of client accounts. Consolidation expedites reviews and facilitates seamless referral processing, while the software empowers agents to repurpose multi-line quotes to promote upselling and cross-selling. Moreover, the advanced risk assessment tool provides predictive risk indicators, optimizing risk analysis and aiding informed, profitable decisions.[42]
- Willis Tower Watson, a worldwide advisory and brokerage firm, is incorporating climate data into property renewals to assist clients in comprehending the long-term risks associated with their property portfolios. This climate data analysis evaluates various climate indicators, enabling companies to enhance their risk management strategies by providing context to climate change impacts. It also predicts how extreme weather events might affect their property portfolio by 2050.[43]
- Planck, a global InsurTech platform for commercial insurance, launched Planck PLUS, an AI-powered underwriting tool that combines strategic insights and proprietary machine learning models to enhance underwriting processes. It generates queries based on underwriter input and provides tailored recommendations for commercial insurance to ensure data privacy and reduce errors.[44]

IMPACT

As P&C insurers look for precise risk assessment and pricing – a crucial step in maximizing insurability – they adopt new risk assessment methodologies and real-time data for underwriting while leveraging innovation to create interactive feedback loops. At the same time, we anticipate that insurers will increasingly engage policyholders via an interactive feedback loop to improve customer experience and reduce risk exposure.

Insurers will need to implement solutions and processes to price evolving risks accurately, quickly, and efficiently. The result? A return to profitable growth and a more sustainable insurance ecosystem thanks to risk minimization and mitigation of potential claims. Refocusing on underwriting fundamentals and innovation in this evolving landscape is critical to enhancing insurability and cultivating insurance resilience in 2024 and beyond.

P&C INSURANCE TRENDS

TREND 7

In the mobility sector, insurers are evolving into solution co-designers, moving beyond product development

P&C insurers are adapting to the evolving mobility landscape, leveraging technology and redefining their role in the autonomous, connected, electric, and shared vehicles (ACES) mobility era to meet the needs of changing customer preferences.

CONTEXT

The mobility landscape presents challenges and opportunities for P&C insurers. General Motors originated the triple-zero future concept for the automotive industry, aiming to achieve zero congestion, emissions, and crashes. The target aligns with evolving consumer preferences, particularly among young and urban customers who integrate novel mobility options into their daily lives.

- Carriers are now pivoting from asset coverage to safeguarding mobility journeys – evolving their role from product developers to solution co-designers.
- By creating mobility ecosystems, insurers can offer modular subscription coverage and reduce some disintermediation risks generated from embedded insurance. Modular subscriptions leverage insurers' advanced risk modeling capabilities to meet customer expectations for seamless multi-modal coverage.
- This shift signifies an evolving value proposition that combines insurers' risk expertise with technology partnerships from mobility ecosystem partners to deliver a comprehensive mobility experience.
- According to our World Property and Casualty Insurance Report 2023, P&C insurers face mobility journey challenges, with around 63% expressing technological concerns and 45% apprehensive about evolving customer demands.

CATALYSTS

Our "World P&C Insurance Report 2023" went on to say that the automotive sector is transforming, with the rise of ACES autonomous, connected, electric, and shared (ACES) mobility options projected to reach 40% of automotive market share in 2030 (up from 10% in 2020).[45] As a result, a significant opportunity exists for P&C insurers to offer tailored mobility solutions.

- The mobility insurance market is poised to double from USD 0.65 trillion in 2021 to USD 1.38 trillion in 2030, driven by an eightfold increase in ACES vehicular premiums.[46]
- Urban adoption of multi-modal, micro-mobility, and shared modes of transportation will likely double from 29% in 2023 to 58% in 2025, according to our report.
- Customer expectations are evolving, with 42% of policyholders expecting a single policy that covers them irrespective of transportation modes.
- To effectively respond to this shift, P&C insurers can actively collaborate with trusted ecosystem partners to transition from product developers to providers of comprehensive mobility experiences.

IN A NUTSHELL

Ecosystem, risk management, and technological capabilities that once seemed farfetched will become foundational requirements for the future of mobility.

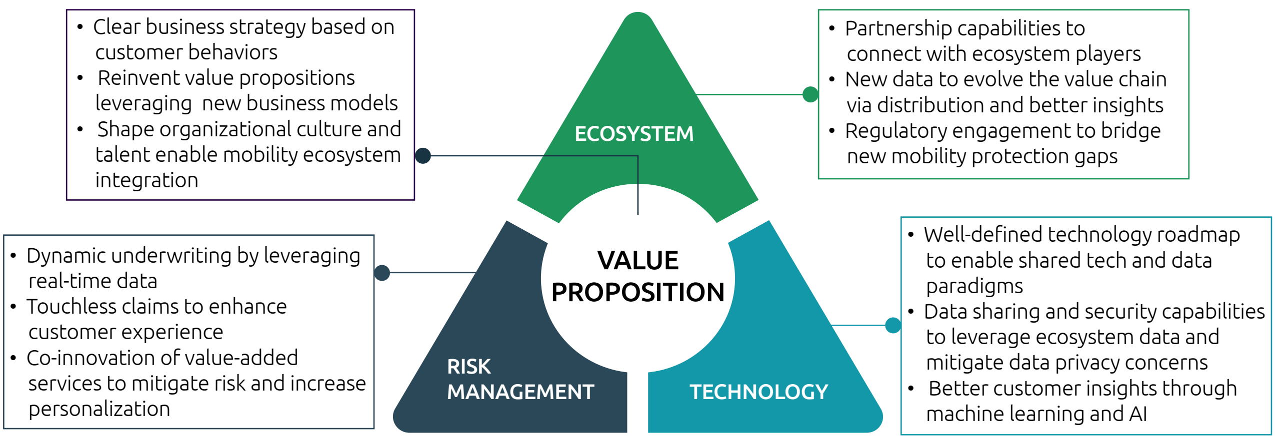
- US insurer State Farm and Japanese carrier Tokio Marine invested in May Mobility, a startup providing autonomous vehicle technology for commercial fleets. The investment illustrates the insurance industry's growing support for autonomous vehicle technology.[47]
- AON Mobility Solutions' electric car service, Flee, partnered with Helbiz, a micro-mobility services company, to expand its integrated ecosystem by introducing electric cars, e-scooters, e-bikes, and e-mopeds for multi-modal mobility.[48]
- Swiss Re and US-based tech firm Luminar have partnered to boost road safety and cut consumer adoption expenses. Together, they assess the safety and performance gains of Luminar-equipped vehicles, focusing on reducing insurance claims. Swiss Re works with Luminar to collect and analyze data in an exclusive partnership, benefiting both Luminar's insurance program and Swiss Re's global insurance clients. The partners aim to enhance road safety and offer cost-effective insurance solutions to consumers through advanced technology and data-driven insights.[49]

IMPACT

More P&C insurers will strategically move from auto to mobility insurance, where risk modeling evolves from accurate single-risk pricing to a model focused on pricing for multi-asset liability, property loss, and physical risks based on a comprehensive individual risk profile. Those insurers that successfully transition to closely integrated ecosystems that enable co-designed solutions will shift from delivering products to becoming solution providers and mobility frontrunners.

The move will require an evolution of the value proposition across ecosystems, risk management, and technology (Figure 7). In turn, this evolution will help to reduce claims, increase customer engagement, and boost revenue. Tailored, usage-based policies will attract and retain customers and foster long-term loyalty. The trend reflects insurers' commitment to innovation and responsiveness to evolving market needs.

Figure 7. How can insurers evolve their business strategy to thrive in the mobility landscape of the future?



Source: Capgemini Research Institute for Financial Services analysis, 2023.

P&C INSURANCE TRENDS

TREND 8

Embedded insurance evolves towards value-centric models while building a foundation for lasting customer value

P&C insurers are continuing to strengthen embedded insurance and personalized solutions that enhance customer experience.

CONTEXT

Recognizing the demand for convenience, P&C insurers are strengthening their embedded insurance solutions. Carriers are leveraging the latest technology to become more customer-centric and forge partnerships across industries such as e-commerce and manufacturing. They are exploring new markets, cross-selling, and developing personalized omnichannel solutions that enable them to increase their penetration in existing markets and enter new ones.

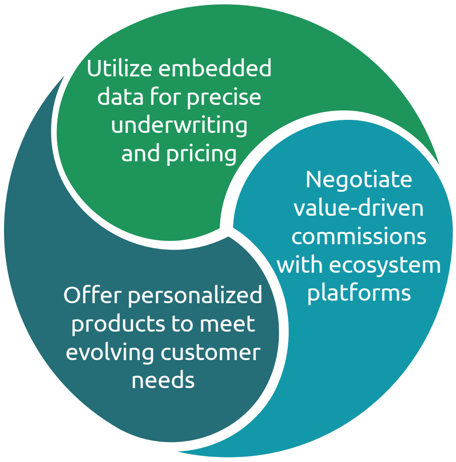
- Digital channels connect customers with insurance coverage choices and policy alternatives. However, this increased convenience adds complexity to selection and purchasing.
- To streamline the process, insurers strategically leverage customers' preferred platforms to connect with target audiences through embedded solutions. For instance, product warranty providers turn to shopping channels such as Amazon or Alibaba to capture customers at the point of sale.
- Insurers also grapple with concerns about the commissions associated with embedding insurance on specific platforms and assets: they actively explore ways to ensure these new channels contribute meaningfully to their profitability goals.
- A crucial aspect of this transformation is a revamped IT architecture that can accommodate application programming interfaces (APIs) to integrate insurance coverage seamlessly into third-party retailers' platforms or within broader industry ecosystems.

CATALYSTS

Technology and cultural trends – encompassing e-commerce, machine learning, the ubiquity of personalization, the sharing economy, and open insurance – have all increased interest in embedded insurance. While some carriers hesitate because of profitability apprehension, technology challenges, intellectual property, and governance concerns, frontrunners are exploring embedded insurance to foster data-sharing, build trust-based digital relationships, and offer superior customer experience.

- A report from InsTech London forecasts that the embedded P&C insurance market will reach USD 722 billion in global gross written premiums (GWP) by 2030, six times its 2022 size.[50] Therefore, gains are possible for insurers that strategically adopt cross-industry brand partnerships, prioritize value creation, craft tailored solutions, and explore new distribution methods.
- Publicly available open APIs are essential for embedded solutions. They can help insurers extend their digital presence within ecosystems and platforms specializing in e-commerce, health and wellness, and automotive.
- Partnerships with trusted brands boost insurers' data access, allowing underwriters to leverage the information to co-create new solutions (Figure 8). Partnerships can strengthen underwriting models and enhance customer experience, marketing, risk assessment, and claims processing when paired with digital capabilities.
- Digitalization and policyholders' growing recognition of third-party brands can encourage acceptance of digital insurance solutions – online tools and platforms that use technology to provide efficient and personalized services while improving internal operations. Ultimately, carriers enhance customer value and boost profitability by reducing the cost of acquisition.
- Insurers can leverage cloud computing, advanced analytics, and AI to integrate with ecosystem partners, capture data, and generate single views of policyholders.

Figure 8. How to implement a value-centric embedded insurance model and make customers happy



Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

For providers considering a business model shift to embedded insurance, we recommend strategy development such as these frontrunner examples:

- Allianz Partners and Jaguar Land Rover (JLR) teamed up to launch Simply Drive, which provides a month of complimentary insurance to customers purchasing iconic JLR models in eight European markets. This partnership elevates the luxury vehicle ownership experience, combining Allianz's insurance expertise with JLR's commitment to quality. Starting in Germany, the service will expand to additional countries, seamlessly integrating insurance into the vehicle purchase process for Range Rover, Defender, Discovery, and Jaguar owners.[51]
- Root, a US InsurTech, joined the online car-buying platform Carvana to offer embedded auto insurance. Customer information is pre-filled so car buyers can skip data entry and jump directly to evaluating quotes and customizing auto insurance coverage. A fully embedded experience – from quote to payment – happens entirely within the Carvana checkout process. The embedded concept also applies to claim reporting and roadside assistance services.[52]
- California- based online provider Next Insurance collaborated with US legal technology and services firm LegalZoom to offer embedded insurance services for small to mid-sized enterprises and micro businesses, enabling quick, tailored quotes and plan purchases through its NEXT Connect solution without leaving the LegalZoom platform.[53]

IMPACT

While embedded insurance is here to stay, the road to profitability requires careful navigation. In 2024, insurers entering mutually beneficial partnerships can deliver customer value, broaden access to data, and market product innovations swiftly. Collaborations can offer access to open insurance standards, enhancing product offerings and making insurance accessible, user-friendly, and customizable for consumers and businesses.

However, these partnerships pose risks, including reduced profitability – if the commission structure is not well thought through – and the potential dilution of brand value. Consequently, insurers must exercise prudence when choosing their embedded insurance partners to protect brand equity, reduce costs, improve loss ratios, and grow profitability. The focus on profitability will also intensify on the distribution side, with increased scrutiny on embedded insurance commissions.

Third-party brands partnering with insurers can differentiate themselves by offering unique and individualized customer experiences while bolstering overall product offerings. We anticipate the embedded insurance trend to expand via collaboration, innovation, and platform sharing with banks, FinTechs, InsurTechs, retailers, OEMs, and various ecosystem participants. In 2024 and beyond, embedded insurance will help insurers make their products more accessible and user-friendly. Success involves navigating both the upside and downside with strategic foresight.

P&C INSURANCE TRENDS

TREND 9

To enhance the understanding of asset-risk relationships and pricing, insurers are exploring digital twin adoption

Digital twins – virtual representations that serve as real-time digital counterparts of physical objects – can enhance P&C insurance risk modeling, optimize processing time, reduce fraud, and boost customer service.

CONTEXT

Digital twin technology, though in its early stages, has the potential to transform how insurers handle risk. Traditional P&C risk modeling methods that rely on historical data, actuarial tables, and regression analysis are no longer sufficient as risks evolve and become more unpredictable.

- P&C insurers are confronting an ever-expanding data pool that may be a competitive advantage resource. Collecting, processing, interpreting, and effectively harnessing this data is vital.
- Digital twin technology may become a game changer in simulating, structuring, and continuously analyzing vast real-time data. This capability would help insurers to make well-informed decisions across underwriting, claims management, and fraud detection (Figure 9).
- To minimize risks and prevent losses, P&C insurers are exploring digital twins to detect hazards in insured assets such as properties and vehicles.
- Building digital twins will remain resource-intensive, so implementation is likely to focus on where it creates a clear competitive edge. The best payoff is for complex risk areas like natural catastrophes or unusual events where strategic insights are critical: for floods, earthquakes, war acts, or similarly complicated perils, the enriched visibility possible from digital twins may merit the investment required.

Figure 9. Digital twins enhance decision-making and efficiency across the value chain, fostering innovation

Underwriting	Simulates different scenarios, enabling underwriters to understand risk better and potentially offer more relevant coverage or more accurate pricing.
Distribution	Creates virtual customer behavior models using online activities, shopping data, and search habits, aiding insurance executives in targeted multichannel sales.
Claims Processing	Accelerates claims processing by simulating claim scenarios, such as accidents and damage, aiding adjusters in impact assessment.
Fraud Detection	Replicates events and assesses claim accuracy by comparing data to swiftly identify inconsistent claims, reduce P&C liability, and save costs.

Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

According to Capgemini's World Property and Casualty Report 2023, 65% of insurers understand the importance of digital twins; however, only 16% possess mature digital twin capabilities. Carriers that prioritize developing these technical capabilities can revolutionize their risk modeling.

- A 2023 global report from Research and Markets said the market for digital twin technology in financial services and insurance surged from 2022 to 2023, rising to more than USD 4.3 billion from USD 3.6 billion during the year before. Continued growth is projected, with the market anticipated to reach USD 8.28 billion by 2027 for a 2022–2027 CAGR of nearly 18%.[54]
- The explosion of data, coupled with increased computational capacity, is significant, and generative AI can make sense of vast data and create digital twins at a pace.[55]
- Insurance underwriters and professional claims adjusters who seek to stay ahead of ever-evolving risks can strategically consider the adoption of digital twins. Investments for specific complex risks are yielding an advantage. Digital twins can assess property damages and perform inspections without onsite visits, enhancing accuracy in estimating replacement costs, coverage requirements, and damage extent, ultimately reducing claims turnaround time.
- Digital twins combined with IoT are on track to shift insurers' approach from reactive to preventive. The result is a value proposition for insurers that centers on mitigating or preventing risks rather than compensating for damages.

We anticipate some insurers will elect to be early adopters in specific business lines to gain a competitive edge through more accurate pricing, faster claims processing, and superior risk management.

IN A NUTSHELL

Digital twins can enhance risk management practices, bolster adjustor safety, and potentially reduce claims while boosting profits.

- Swiss Re Corporate Solutions, a global reinsurer, is advancing its Risk Data Services (RDS) platform to enhance clients' resilience. RDS enables companies to create digital twins of their assets, offering a comprehensive view of exposure, together with data-driven insights to inform insurance decisions. The platform caters to sustainability and supply chain management, helping clients assess climate-related risks and anticipate disruptions. RDS facilitates structured storage of risk data, empowering clients to make strategic insurance choices, particularly during uncertain market conditions.[56]
- Zurich North America and California-based climate-resilience tech company One Concern are harnessing digital twin technology via One Concern Domino, a tool that can determine how long an asset will be inoperable and offers first-to-fail insights about which dependency risk will fail first during a disaster; Domino's vulnerability map compares the exposure of multiple assets. The upside for Zurich North America clients is the ability to assess climate-related dependency risks like power outages and infrastructure vulnerabilities.[57]
- ERGO Insurance, a German multinational carrier, leverages digital twin technology to assess automotive battery performance and mitigate risks. Through a mobility technology center, ERGO analyzes factors like temperature, charging behavior, and weight, providing insights within eight to nine months, which is a fraction of a battery's actual life. This data informs tailored insurance solutions, enabling ERGO to collaborate with manufacturers.[58]

IMPACT

Although nascent, digital-twin technology is progressing to more steadfast maturity. In 2024 and beyond, we anticipate that some insurers will explore use cases that justify the expenses before assessing whether widescale implementation is feasible. These use cases will help insurers develop more accurate risk models by continuously monitoring and analyzing multiple scenarios for the insured assets.

We anticipate that insurers will target high-impact niches where this technology can enable risk clarity. They will likely approach a broad rollout cautiously because of high costs and limited gains across more mundane risks. As the technology matures, innovative P&C insurers may gain market share thanks to better pricing, shortened claims processes, and superior customer experience.

P&C INSURANCE TRENDS

TREND 10

On the horizon: Quantum computing may unlock insurance innovation opportunity

Forward-looking P&C insurers are weighing future quantum technology opportunities versus potential cyber security threats.

CONTEXT

Mainstream adoption of quantum technologies are still considered to be a decade away. Deeply rooted in risk and adaptability, the insurance industry is starting to experiment with the technology now to tackle detailed risk modelling. As it matures, quantum technology may accelerate computational speed to resolve complex and compute intensive problems faster.

- Insurers encounter risk modeling challenges due to the increased severity and frequency of several risks, such as natural disasters. Modeling for rare catastrophic events is complicated because the historical need for it was low; now, insurers must integrate numerous scenarios into their risk models.
- Disruptions such as natural catastrophes, cyber-attacks, and rising demand for personalized products impact claims and underwriting processes.

We anticipate that as quantum technology maturity increases, it will incorporate greater complexity in current risk models and help insurers to enhance underwriting, product offerings and pricing.

CATALYSTS

Quantum computing's exponential computational speed offers potential advantages for insurance: despite its nascency, its prospective benefits are noteworthy. While large-scale quantum applications are not yet operational, progress has been steady and is likely to continue at pace.

- Quantum computing hardware progress continues, with advancements from IBM and Google focusing on error mitigation and dynamic circuits.
- Extensive AI models consume increasing energy, so there is a pressing need to explore novel methods for shorter run times and eco-friendly computing. Quantum computers may hold the key to an energy-efficient advantage in the future.
- Quantum sensors are more developed and hold near term opportunity for increased insights into risk exposure and prediction of extreme weather events or detecting anomalies in heavy industrial assets such as turbines or gas pipes.
- However, quantum computing also poses challenges. There is a one-in-seven chance that such computers will be able to crack current public-key encryption by 2026 and a one-in-two chance of the same by 2030.[59]
- Hence, insurers will be wise to explore how to migrate to post-quantum cryptography.

IN A NUTSHELL

Insurers acknowledge quantum technology potential and are taking preparatory steps.

- Sompo Holdings, Sompo Japan Insurance, Sompo Risk Management, and Hitachi agreed to study a technology developed by Hitachi for simulating quantum computer behavior. The partnership is the first practical use of quantum-inspired computing in an insurance underwriting setting.[60]
- Munich Re, a German-based multinational reinsurer, joined forces with 10 other German organizations in 2021 to raise quantum computing to the level of large-scale industrial application by jointly funding the Quantum Technology and Application Consortium. Goals include identifying, developing, testing, and sharing quantum computing applications and determining funding needs.[61]
- French multinational insurer AXA is actively exploring quantum computing to address future insurance industry challenges. AXA aims to build internal expertise, keep prototyping cycles short, focus on scalability, ensure hardware portability, and integrate non-quantum experts to leverage benefits effectively.[62]

IMPACT

Although promising, quantum technology implementation in insurance remains theoretical. We anticipate scaled adoption in the 2030s – as quantum computers maturity increases. Initiating experiments now, however, can promote success and understanding in the future (Figure 10).

In fact, quantum computing may transform the insurance industry by elevating resilience and operational effectiveness. It could help insurers refine risk modeling, streamline pricing approaches, and drive product development innovation. It might reduce the need for extensive data sampling, yielding more accurate risk models and substantial returns on investments. Quantum computing's more efficient processing capabilities can shorten the time required for complex model computations, setting it apart from conventional computing. We expect this trend – and in particular the focus on security – to reach an inflection point in 2024. As quantum technologies mature, insurers will strategize on emerging quantum-era business opportunities to prepare for the significant growth that is likely to materialize over the next decade.

Figure 10. How can insurers seize upcoming quantum computing opportunities?

- **01** Evaluate insurance firm's readiness and infrastructure
- **02** Identify specific areas - like risk assessment - where quantum computing offers advantages
- **03** Participate in ecosystems for balanced investment, R&D cost-sharing, and talent gap reduction
- **04** Create a post-quantum cryptography roadmap to protect policyholders' sensitive data
- **05** Test and validate quantum algorithms for accuracy
- **06** Deploy quantum technology for accurate risk assessment

Source: Capgemini Research Institute for Financial Services analysis, 2023.

LIFE INSURANCE TRENDS

TREND 11

The rise in the aging population and the largest wealth transfer in history is driving demand for aging-well insurance solutions

Life insurers hold a unique opportunity to heighten relevance, foster trust, and accelerate growth among the 50+ population through digital innovation, regular engagement, and comprehensive aging-well services.

CONTEXT

As the global population ages, the most significant intergenerational wealth transfer in history is about to take place. Gaining and retaining trust among older individuals is critical for carriers to safeguard assets under management (AUM) and maintain relevancy.

- Customer-centric frontrunners are digitally augmenting agents and offering channel-less solutions to engage customers throughout the life cycle of their policies. They are developing aging-well insurance solutions through third-party collaborations to boost customer experience and trust via specialized value-added services.
- As policyholders transition from the workforce to retirement and successful aging, strategic insurers will shift from individual risk-focused products to comprehensive aging-well value propositions with flexible payouts.

CATALYSTS

The United Nations forecasts that the proportion of the global 50+ population will have doubled from 1990 to 2050, comprising 33% of the world population by 2050. It is no wonder policyholders seek aging-well products and services.

- Projections indicate that the ratio of dependent population to working-age population will increase from 15% in 2022 to 26% by 2050, straining already limited governmental resources.[63] For instance, in the United States, public pension funds faced USD 1.4 trillion in unfunded liabilities as of 2022.[64]
- Tight government resources and extended lifespans will accelerate the shift of the financial burden of retirement from governments to individuals. It will also widen the retirement protection gap, projected to quadruple in major pension markets to USD 400 trillion by 2050.[65]
- As part of Capgemini's World Life Insurance Report 2023, 6,775 policyholders across 20 global markets told us that 60% of those aged 65 or older have not sought professional financial advice for retirement. We estimate that the same customer segments own about 40% of life Insurers AUM.
- In the journey to life insurance modernization, 39% of insurance executives said they face hurdles related to technology readiness. At the same time, policyholders face barriers related to product adoption, such as product complexity (39%), limited awareness (39%), and lack of trust (28%).
- To overcome these barriers and retain relevancy and trust among the older policyholders (Figure 11), insurers can leverage data from multiple sources to generate single views of their customers and utilize advanced technologies such as cloud computing, advanced analytics, and AI to digitally empower their agents.

Figure 11. Insurers can support customers in aging gracefully foster cross-generational trust

Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

Life insurers can drive growth by creating comprehensive aging-well solutions while aligning with customers' aspirations for long, healthy lives

- Guardian Life Insurance, a US-based life insurer, introduced Safeguard 360 in February 2023. This comprehensive offering seamlessly combines whole life insurance, long-term care protection, and disability income insurance within a single policy. It simplifies the purchasing process with guaranteed premiums, death benefits, and cash value through a single digital application.[66]
- Spanish insurer Mapfre launched Senior Generation in 2020 to improve the quality of life for aging policyholders. Roadside assistance is a popular automotive feature among customers aged 55+, while self-service portals are available for convenient access to home insurance policies. Senior Accidents +55 is for individuals aged 55 to 80, offering coverage and compensation for accidents causing severe trauma and other injuries. Dependency insurance covers individuals between the ages of 50 and 75, with guarantees of a life annuity to dependents.[67]
- French multinational insurer AXA invests in dedicated care facilities in Japan and Italy, targeting these underserved markets for age-well care. Strategic locations in affluent cities and government support enhance investment portfolios for the growing elderly demographic.[68]

IMPACT

According to our World Life Insurance Report 2023, the aging population trend is on track to catalyze near-term demand in various financial services domains:

- Life and annuities are expected to grow by 49%, reaching USD 4.2 trillion by 2030
- Financial advisory services are set to grow 71% to USD 136 billion by 2030
- Long-term care services will have an 86% market increase to reach USD 1.8 trillion by 2030.

Insurers are diversifying their offerings with tailored solutions such as asset-backed policies tied to underlying investment assets, pay-as-you-live policies offering premium pricing or discounts based on behaviors, and long-term care coverage combined with life protection benefits to meet the needs.

To adapt to this changing landscape, insurers can digitally transform through cloud, artificial intelligence, and machine learning solutions. These technologies unlock capabilities to personalize services, seamlessly connecting with third-party providers to establish a comprehensive, interconnected ecosystem for effective policyholder engagement. Insurers who want to distribute innovative value propositions effectively will acknowledge that policyholders aged 50 and older still value human interaction but welcome digital augmentation.

LIFE INSURANCE TRENDS

TREND 12

By de-risking legacy systems with an API wrapper, insurers can power up customer experience

Life insurers are opting for legacy policy de-risking over core replacements. Digital API wrappers seamlessly integrate old systems with modern back-ends – ensuring a smooth transition, reducing risk, and boosting efficiency.

CONTEXT

Life insurers often face operational obstacles when accessing critical policy information. Challenges arise from reliance on outdated legacy systems that spur delays, inefficiencies, and increased claims and service operations risks. Unfortunately, these results affect customer satisfaction and data security.

- In response, insurers are adopting innovative solutions like digital API wrappers that integrate legacy systems with modern back-end systems to streamline operations and empower fast and efficient policyholder services.
- This transformation mitigates data loss and policy discrepancy risks to future-proof operations and keep pace with fast-changing industry protocols, while controlling and consolidating customer information stored across multiple systems.
- The digital wrapper eases the transition from mainframe systems, mitigating risks linked to the time-consuming process of lifting and shifting information. This approach buys time to reassess data management and legacy system modernization strategies.

CATALYSTS

A 2023 Gartner survey found that more than half of insurance companies are significantly increasing investments in integration technologies like APIs.[69] Carriers are revamping legacy systems in response to widespread technology advances and customers' growing expectations for personalized experiences and seamless interactions. Monolithic, inflexible legacy systems hinder insurers' agility to adapt to market dynamics and emerging technologies. Additionally, they incur high maintenance costs, increased downtime, and can cause challenges in finding skilled personnel, making long-term maintenance expensive and inefficient.

- Legacy systems also carry inherent risks, including operational disruptions such as delayed policy issuance and customer data retrieval. API wrappers serve as a bridge between legacy and modern systems to deliver necessary data; they mitigate risks while facilitating gradual infrastructure modernization. This strategy can preserve policyholder data integrity, enhance data security, and streamline management processes. API wrappers facilitate the integration of new digital sales tools and portals to boost upfront digital servicing capabilities overall.
- The explosion in customer data requires insurers to become more agile, and API wrappers help to rapidly create personalized recommendations and interact with customers through user-friendly interfaces.
- Increased cost pressure is pushing insurers to deploy digital API wrappers as a cost-efficient alternative to core system modernization. API wrappers allow insurers to efficiently integrate new digital tools while reducing requirements for extensive training and legacy expertise.

De-risking legacy systems is a strategic move to enhance user experiences, navigate the evolving insurance landscape, reduce risks and costs, manage closed blocks of business, and ensure agility. Implementation requires focusing on three key steps – including process assessment, piloting, and scale-up (Figure 12).

Figure 12. Consider a three-step transformation journey to augment legacy systems with an API wrapper

Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

Insurers are adopting digital API wrappers to de-risk legacy systems by integrating them with modern back-end systems, streamlining operations, and accelerating claims processing, leading to faster, more efficient services.

- New York Life updated its core legacy technology platforms in 2023, including policy administration systems dating back to the 1970s and 1980s. Its strategy involved retiring outdated systems and implementing modern solutions to accelerate product development, enhance API connectivity, and improve customer experiences, positioning it as a forward-thinking player.[70]
- A multinational insurance organization in the United States sought to modernize its core systems due to manual processes and data fragmentation. Partnering with Damco, they migrated to Microsoft Azure cloud services and adopted a microservices architecture. This transformation enabled seamless synchronization, improved efficiency, and error reduction in managing insurance functions. A secure, single database and Azure API Gateway ensured data consolidation and secure access, enhancing process efficiency and reducing errors.[71]
- Sureify, a US based Life and Annuity platforms provider, recently launched its CoreCONNECT digital experience engine for two North American insurers. This innovative solution consolidates data across each insurers' 20+ core systems, into a single, pre-built, and well-documented life and annuity API. This API enables insurers to offer users, like policyholders and agents, a comprehensive view of their business and the ability to transact digitally across all backend systems, ensuring a best-in-class digital experience.[72,73]

IMPACT

Incorporating API-wrapped systems in the life insurance sector is a promising trend that will likely pick up steam in 2024, thanks to the significant advantages it offers, primarily in improving legacy system capabilities and cost-effectively enriching customer experience.

The digital API wrapper streamlines data transfer into a modern layer for cost efficiency and operational agility by eliminating technical debt and associated risks. Customers benefit from easy access to critical information, creating a more gratifying experience. Simultaneously, insurers can avoid risky, complicated, and expensive core replacement transformation programs. Less reliance on legacy technology helps to eliminate constraints and potential risks.

LIFE INSURANCE TRENDS

TREND 13

Life insurers deploy digital transformation to optimize the claims process and improve beneficiary experiences

Life insurers are turning claims processes into revenue-generating opportunities by enriching beneficiary journeys through digital transformation. They leverage AI tools to automate and accelerate claims payouts.

CONTEXT

The life insurance industry is experiencing transformation driven by increasing customer expectations, operational efficiency imperatives, and technological advancements. Within this context, several key trends are shaping customer experience, beneficiary engagement, claims processing, and asset retention.

- Life insurers are grappling with a surge in claim payouts for life insurance policies, exposing the limitations of legacy manual systems still in use. These outdated processes hinder the industry's ability to deliver seamless services to policyholders, leading to frustration among the beneficiaries at the payout stage.
- There is a strategic shift in recognizing the significance of beneficiaries in the insurance process. Insurers are actively engaging with beneficiaries throughout the policy lifecycle by providing them access to policy details, making sure their personal information is always up to date, sharing relevant policy information, and offering personalizing services.
- Proactively engaging beneficiaries right from the outset of the sales process allows life insurers to build trust and establish long-term relationships. This is achieved by providing proactive guidance to beneficiaries at the claims stage and creating awareness of flexible payout options, laying the foundation for future growth.
- AI, machine learning, and robotic process automation can elevate the claims experience, fostering empathy among claims handlers and equipping them with skills and insights to make sound recommendations to beneficiaries.

Insurers that prioritize early beneficiary engagement position themselves to safeguard assets by establishing a seamless experience for beneficiaries and cultivating trust with policyholders, which ultimately can create long-lasting trust and help customers across generations live well longer.

CATALYSTS

The impending intergenerational wealth transfer has heightened insurers' awareness of the importance of providing an excellent beneficiary experience.

- According to World Life Insurance Report 2023, customers aged 65+year-old own 40% of life insurers' assets under management and are poised to transfer this to their beneficiaries by 2040. The time is now for insurers to safeguard their assets, establish long-term relationships, and secure future business by actively supporting beneficiaries throughout the lifecycle of the policy, from purchase to claims.
- The surge in claims volume resulting from this wealth transfer is shifting the way insurers perceive the claims function. Once considered cost centers, insurers are now recognizing and assessing how to transform them into revenue-eneration opportunities by deepening beneficiary engagement. To seize these new revenue streams, they are strategically investing in digital transformation to optimize claims processing, engage beneficiaries earlier, retain assets at the time of claims payout, and unlock new growth opportunities (Figure 13).
- Beneficiaries often face emotional and administrative challenges after losing a family member. According to a 2023 report by end-of-life platform Empathy surveying 1,500 individuals, families spend over a year resolving post-death financial matters, with 46% reporting ongoing anxiety even six months after the loss. Life insurance payouts offer financial relief, but there is a crucial demand for additional services to assist during this trying period. By supporting beneficiaries, insurers enhance the claims experience and demonstrate a commitment to providing families with more than financial assistance.[74]

To foster deeper relationships with beneficiaries, insurers can proactively engage with them throughout the policy lifecycle and beyond, offering multiple touchpoints for the beneficiary while the policyholder is alive and providing seamless claims payouts and empathetic services and advice after the policyholder's passing.

Figure 13. Fostering deeper engagement with policyholders and beneficiaries to retain assets

Expedite claims settlement
By digitally speeding up claims processing for timely payouts

Enhance data utilization
By leveraging AI and machine learning for accurate claims assessment

Facilitate claims restructuring
By providing flexible payouts, such as partial or multiple installments, based on changing customer needs

Foster empathy
By equipping claims professionals with skills and insights to make sound recommendations

Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

In the ever-evolving landscape of the life insurance industry, digital transformation is at the forefront of enhancing claims processes and engaging beneficiaries early on.

- US-based MetLife collaborated with Empathy to enhance beneficiary claims concierge services. This collaboration provides compassionate support to beneficiaries and their families following a loved one's passing. MetLife recognizes beneficiaries' significant challenges beyond financial matters and aims to alleviate their burdens by integrating Empathy's bereavement care platform. The platform combines technology and human assistance, offering services such as estate administration, probate guidance, emotional support, and more.[75]
- Broker Clark UK and Swiss Re's iptiQ joined forces to launch a tailored life insurance product in the United Kingdom. The collaboration is aimed at individuals between 50 and 80, ensuring their beneficiaries receive lump-sum death benefit payments. The product assists beneficiaries with funeral expenses and offers timely financial support. This partnership signifies a substantial leap in making inclusive and beneficial life insurance solutions accessible to this demographic.[76]
- Swiss Re and US InsurTech Benekiva partnered to create an integrated claims management platform that combines Benekiva's claims administration system with Swiss Re's Claims Automated Rules Engine and risk management expertise. The platform offers digital claims intake, streamlined workflow, correspondence, document management, claims risk scoring and triaging, and integrated payout and audit capabilities. It will be accessible on any device, anytime and anywhere. The partnership aims to enhance the efficiency and consistency of claims decisions for insurers while providing customers with a seamless digital experience.[77]

IMPACT

This evolving trend is reshaping the insurance landscape by focusing on the beneficiary. In 2024 and beyond, carriers will build deeper and more trusted relationships across generations while enhancing operational efficiency through digital solutions and streamlined processes. Expect a shift from viewing claims as cost centers to recognizing them as revenue-generating opportunities.

As the industry responds to evolving customer expectations, demographic changes, and technological advancements, opportunities exist to settle claims faster and forge meaningful, empathetic connections with policyholders and their beneficiaries. The two-fold impact strategically positions insurers for sustainable growth by engaging beneficiaries right from the beginning and providing support and care during bereavement.

LIFE INSURANCE TRENDS

TREND 14

Insurers embrace innovation and value-added services for inter-generational relevance

Life insurers are moving beyond risk indemnification to become policyholders' lifelong partners and providers of targeted value-added services to support them throughout their lives.

CONTEXT

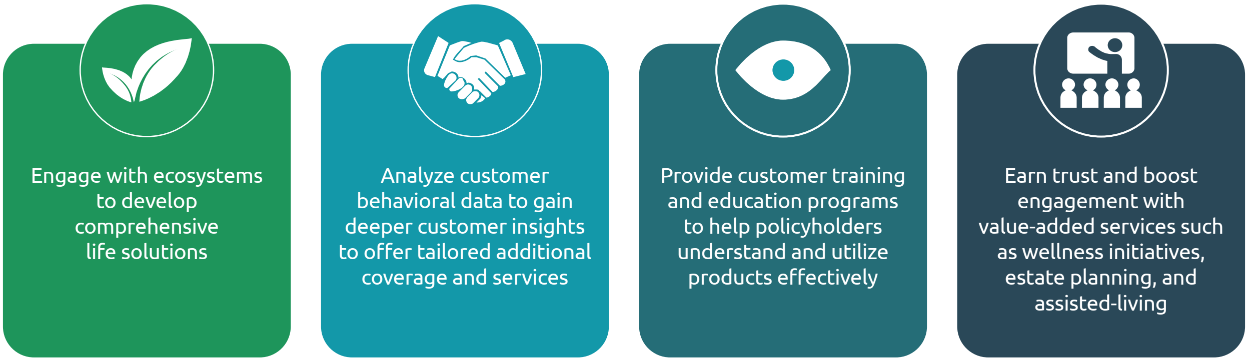
Life insurance is expanding beyond its core products, such as term- and whole-life risk solutions. These days, life insurance is becoming a gateway to a broad array of interconnected products and services from cross-industry players as customers seek additional services, including estate planning and financial advice, and as new generations enter the market with different coverage needs. Insurers are embedding services into annuities and protection products to shift their focus from merely covering death events to providing ongoing support to policyholders throughout their lives.

- As consumers pay more attention to their general well-being, they seek value-added services such as virtual health consultations, fitness club membership discounts, and personalized financial planning.
- Technological advancements and fast-evolving customer expectations have driven many insurers to rethink traditional approaches and offer innovative, comprehensive, and personalized value-added solutions.
- Staying relevant across generations requires a proactive and adaptive stance to offer flexible value-added services throughout the life cycle of the policy.For instance, generative AI algorithms can analyze customer behavioral, demographic, and transactional data to develop personalized financial recommendations, tailored investment strategies, and customized insurance plans.

CATALYSTS

- According to a 2023 Swiss Re report, the global protection gap reached a new high of USD 1.8 trillion in 2022, a cumulative five-year increase of 20%. As a result, the door is wide open for carriers to educate consumers to increase accessibility, literacy, and knowledge of life insurance products.[78]
- In 2023, LIMRA (a global research, consulting, and professional development organization) released a survey indicating a growing interest in life insurance in the United States, with 44% of Gen Z and 50% of millennials considering a life insurance purchase.[79] Similarly, demand for value-added services is up: Capgemini's World Life and Health Insurance Report 2022 found that 74% of policyholders seek hyper-personalized value-added services.
- Numerous insurers are seizing this opportunity through partnerships with technology, healthcare, retail, and other sectors to tailor offerings and align with customer desire for value-added services.
- Data offers substantial innovation prospects, enabling insurers to understand customers better, leading to effective policy design that includes value-added services to deepen customer engagement. While different generations have different needs, pursuing personalized experiences remains constant (Figure 14).

Figure 14. Life insurers leverage value-added services to target multiple generations



Source: Capgemini Research Institute for Financial Services analysis, 2023.

IN A NUTSHELL

More and more life insurers have prioritized value-added services and innovative customer solutions to support policyholders during their lives.

- Chicago-based Federal Life teamed with Swiss Re and InsurTech Reframe Financial to introduce Reframe Life Stage, an innovative insurance plan for millennial and Gen X employees. This hybrid policy combines universal life insurance and cash value with long-term care benefits to address this demographic's evolving needs. It offers varying levels of coverage at different life stages, catering to those juggling the responsibilities of supporting growing children and aging parents.[80]
- Assured Allies partnered with EquiTrust to launch NeverStop, a wellness program designed to create long-term care insurance that delivers benefits to individuals, their families, and insurance carriers. The program is accessible from age 55 and uses data and predictive modeling to encourage an active lifestyle, providing participating policyholders with additional coverage.[81]
- Lincoln Financial Group partnered with Texas-headquartered InsurTech, The Helper Bees, to launch the Lincoln Concierge Care Coordination Service. The platform-based program aims to reduce stress during transitions to long-term care by facilitating proactive planning. It provides up-to-date, relevant content and tools to policyholders with long-term care benefits, helping them plan for and support healthy aging, including finding in-home care providers.[82]

IMPACT

This transformational life insurance trend will drive carriers from a transactional model to a dynamic, customer-centric, engagement-driven ecosystem. Innovation and integrated value-added services signify a focus on policyholders' well-being. Value-added services empower insurers to deepen customer engagement through multiple targeted touchpoints.

We anticipate insurers to evolve their engagement models throughout the years ahead by building more value-added services, prioritizing customer value, boosting engagement, and reinforcing trust and relevance.

LIFE INSURANCE TRENDS

TREND 15

Partnerships and acquisitions bolster insurers' Wellness-as-a-Service solutions

Wellness solutions shift the insurance paradigm from indemnity coverage to proactive health and well-being management.

CONTEXT

Amid today's economic uncertainties and the confluence of demographic and cultural changes, policyholders are prioritizing physical and financial wellness. Therefore, future-focused life insurers are integrating coverage and well-being through partnerships and acquisitions of appropriate service providers (Figure 15).

Leveraging advanced technology, data analytics, and personalized insights can drive innovation, engagement, and transformative change in insurers' businesses and policyholders' lives. Driven by today's focus on customized well-being solutions, insurers are adopting Wellness-as-a-Service (WaaS) enabled by advanced technology and data management. WaaS empowers life insurers to:

- Develop and offer new products and services through strategic collaborations with wellness providers that foster connected and scalable ecosystems.
- Capitalize on these connected ecosystems and policyholders' real-time behavioral insights to craft seamless, personalized customer journeys.
- Utilize dynamic underwriting by tapping into readily available data from wearables, where individuals willingly share personal data in exchange for benefits, such as insurance pricing that accurately mirrors their health status.

Figure 15. Wellness ecosystems create win-win outcomes for policyholders and insurers

Source: Capgemini Research Institute for Financial Services analysis, 2023.

CATALYSTS

According to Capgemini's World Life and Health Insurance Report 2022, customers are increasingly willing to engage in wellness solutions, and insurers are beginning to build capabilities in this space. However, only 8% of insurers are at the forefront of wellness initiatives. They are transforming to offer WaaS with a refined value proposition focusing on prevention, creating regular engagement, and providing hyper-personalized services. The data illustrate significant capabilities gap within the industry.

- The report also found that frontrunners actively collaborate with agile InsurTechs to secure considerable benefits. However, only 43% of insurers effectively co-create or innovate with strategic or ecosystem partners.
- Insurers are increasingly acquiring wellness providers to harness data-driven insights and shape innovative offerings that prioritize well-being while expanding their foothold in the evolving aging-well market landscape. WaaS innovations – such as partnerships with InsurTechs, acquisitions, leveraging artificial intelligence and machine learning, utilizing dynamic underwriting, and tapping personalized behavioral nudges and data integration – are worthy targets.
- As the global healthcare worker shortage may reach 10 million by 2030[83] and medical costs expand worldwide, this creates a unique opportunity for life insurers to become wellness solution resources.
- Wellness-as-a-Service will require insurers to prioritize tech-based transformation and to build modular, data-driven, platform-focused technology architectures while proactively managing privacy and regulatory challenges.

IN A NUTSHELL

Industry frontrunners are already extending and scaling wellness-as-a-service strategies across customer segments and product lines through partnerships and acquisitions.

- AIG, an American multinational insurer, introduced the AIG Virtual Care Program in February 2023, enhancing health services across Europe, the Middle East, and Africa. The digital platform, developed with Teladoc Health, offers clients convenient online access to healthcare professionals, fostering proactive health management and reducing anxiety while reflecting AIG's commitment to employee wellness.[84]
- US Fortune 500 insurer Prudential Financial extended its Total Wellness offering from Brazil and Argentina to emerging markets in Latin America by inking a 10-year agreement with health and wellness company Vitality Global in Q1 2023. Prudential leverages Vitality's model to provide policyholders with tools and resources for physical, mental, and financial health, along with rewards and premium discounts to those who attain fitness goals. The collaboration supports Prudential's broader strategy to expand access to physical, mental, and financial wellness solutions across emerging markets in Latin America and beyond.[85]
- AIA Philippines, an affiliate of Hong Kong-based AIA Group, obtained regulatory clearances to acquire health maintenance organization MediCard Philippines and enhance healthcare coverage for over 920,000 members. The partnership addresses Filipinos' evolving health insurance needs by combining AIA's financial strength with MediCard's healthcare specialization.[86]

IMPACT

The evolving wellness trend is reshaping the insurance landscape to the benefit of customers and carriers. Policyholders are poised to gain significantly from personalized care, reduced expenses, and improved well-being overall. Meanwhile, insurers bolster risk management, boost customer loyalty, and sharpen pricing accuracy while reducing claims.

Wellness-as-a-Service offers the potential to drive customer-centric innovation, enhance health outcomes, and redefine the insurers' role in policyholders' lives. Life insurers are transitioning into life partners, emphasizing prevention and overall well-being, moving beyond the traditional focus on claims processing. Looking to 2024 and beyond, we expect a rise in wellness-focused acquisitions and partnerships.

CONCLUSION

As a new year begins, insurers will reexamine industry fundamentals for 2024 and beyond as they resiliently adapt to global challenges, uncertain macroeconomics, and insurability concerns with resilience. Carriers will power up digital transformation and cloud adoption initiatives to boost operational excellence, maintain sustainability goals, and seize aging-well opportunities. We also anticipate that insurers will leverage API wrappers, generative AI, low-code/no -code solutions, smart devices, and predictive analytics to address cost pressures and fine-tune underwriting.

P&C insurers are refocusing on underwriting discipline, adopting cutting-edge technology such as digital twins to improve risk modeling and unlocking new opportunities for innovation. The focus on profitability will also increase on the distribution side, for example, with increased scrutiny on embedded insurance commissions. In this environment, insurers need to move beyond product development to co-design solutions within an ecosystem. This will allow P&C carriers to embed protection more seamlessly into customers' lives while maintaining profitability.

Life insurers are harnessing digital transformation to optimize claims processes and de-risking their legacy systems to provide a better customer experience. In 2024, we expect an increased focus on value-added services – including wellness initiatives, medical assistance, estate planning, and assisted living. Life insurers also explore aging-well opportunities to unlock growth by effectively engaging policyholders, with a focus on retaining assets and ensuring ongoing relevance.

Ultimately, insurers must balance profit and growth objectives with a relentless customer focus: the next few years will prove to be an inflection point for organizations that prioritize customer centricity, product development, and digital capabilities. These priorities will help industry frontrunners increase customer trust, enhance loyalty, create additional up-sell and cross-sell opportunities, and improve profitability while driving superior customer experience.

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Acknowledgments

We want to thank the following teams and individuals for helping to create, produce, and promote Insurance Top Trends 2024.

Elias Ghanem, Chirag Thakral, and Luca Russignan for their overall leadership for this year's report. Tamara McKinney Berry for editorial guidance, and Sukanya Sen and Nadine Van Son for content support. Dinesh Dhandapani Dhesigan for graphical interpretation and design. Laura Breslaw, David Merrill, Swathi Raghavarapu, Meghala Nair, Jyoti Goyal, Anthony Tourville, Fahd Pasha, and Vamsi Krishna Garre for their overall marketing support for the report; and the Creative Services Team: Sushmitha Kunaparaju, Pravin Kimbahune, and Venu Gopal Reddy for report production.

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