

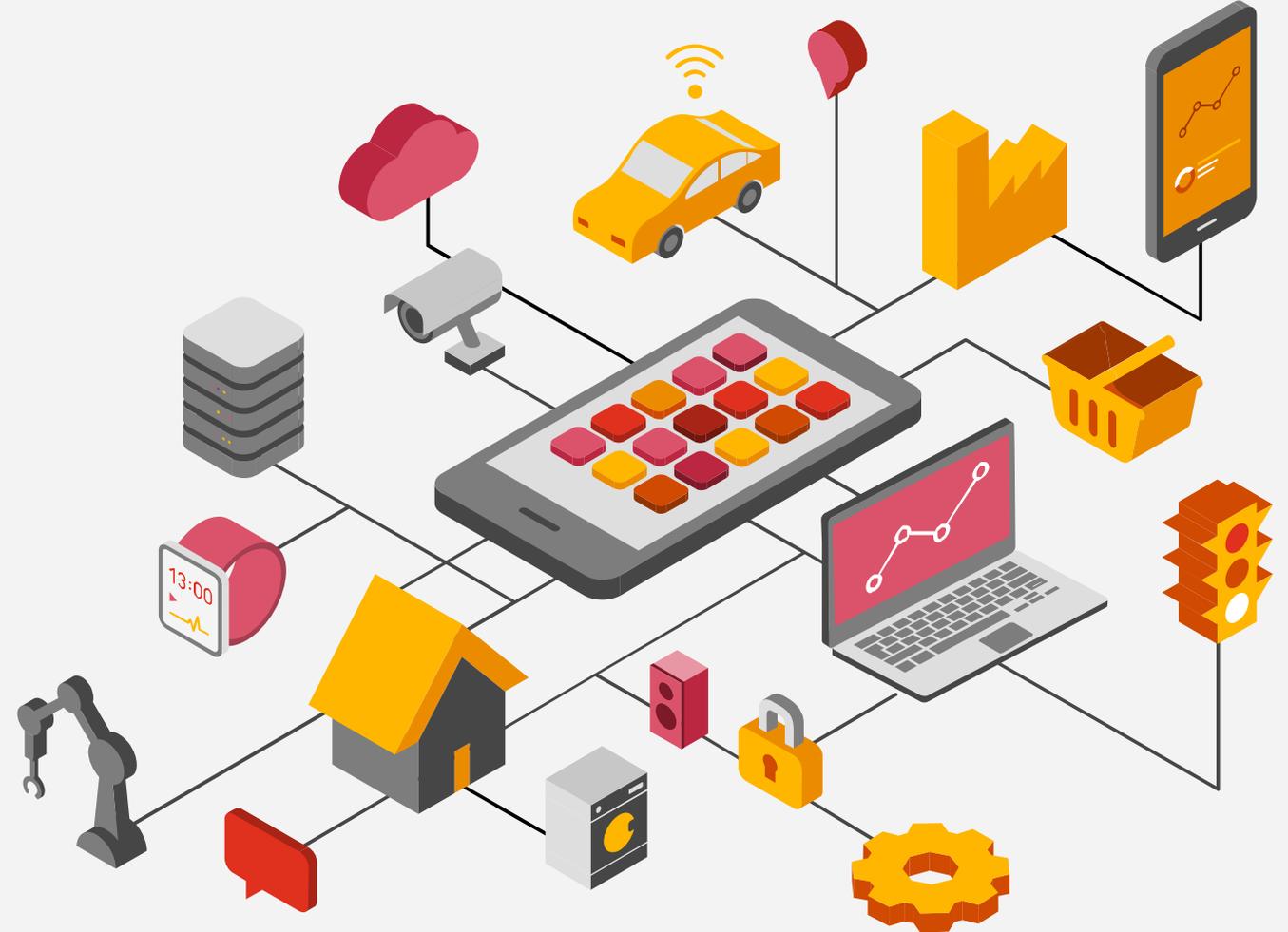
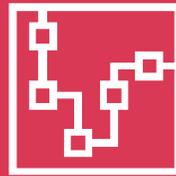


Insurance 2030: What's your future?



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The stability that insurers have long relied on for predictable risk pricing and consistent growth is disappearing. There's been a succession of short-term crises so far this century. In the past three years alone, the world has experienced a pandemic, sometimes violent political unrest, severe supply chain disruptions, global conflict, high inflation and multiple historically extreme weather events. Only 20 years ago, most of these events would have seemed unlikely - for all of them to occur simultaneously, almost unthinkable.



STEEP factors' enduring impact on insurers



These short-term crises are part of longer-term trends. In the recent past, we referred to five factors that profoundly affect the insurance industry: social, technological, economic, environmental, and political (STEEP). Their impact is only increasing. If anything, social instability, technological disruption, demographic shifts and climate change are leading to a fractured world in which insurers have to cover a greater array and frequency of intensifying risks. In turn, these developments have resulted in major changes to the very fabric of the industry.



Market reconfiguration: The increasing growth of digital channels and wider distribution points via partnerships and embedded options are disintermediating markets. Policy options and access are only increasing and barriers to entry are easing, challenging established carrier primacy.

Operational disruption: Prior to the pandemic, insurers were managing significant change in practically all their operations. In several successive PwC annual CEO surveys, insurance respondents were most likely to cite disruption as their main challenge. During the pandemic, the workforce and customers went wholly virtual, stressing various functions already in flux (notably IT, HR and sales) and upending many managerial assumptions and behaviors. In response, insurers have successfully experimented in novel ways, but remain wary about more unwelcome surprises.



Technological reinvention: Insurers are attempting to be tech-enabled, mastering data and its many sources in order to quickly assess and price risk, as well as serve customers when they need, learn about and purchase insurance. As they've seen in other industries, this is possible with a flexible technological base and strategic IT function. But most carriers still have a long way to go to be truly tech-enabled, as opposed to just "digital."

Environmental and social destruction: [ESG](#) is vital to continuing relevance. This is about more than just meeting reporting requirements and maintaining a positive brand. It extends to helping clients and society mitigate — even prevent — natural and human catastrophes, cybercrime and other loss incidents, thereby reducing claims, increasing profitability and enabling carrier viability.



The spectrum of change

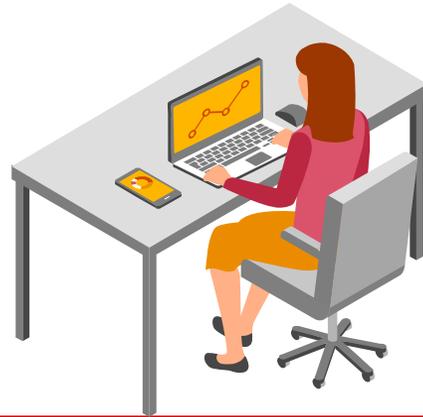


As they grapple with these challenges, we see four likely ways carriers will respond.



Incremental change

{ 1 }



Pragmatic evolution

{ 2 }



The customer first

{ 3 }



Radical reinvention

{ 4 }

While determining the best ways to grow, attract customers and operate more economically and efficiently, most insurers will exhibit various traits across this spectrum. However, the companies that most effectively cope with disruption will be ones that reinvent themselves by focusing intently on the customer.

The spectrum of change: Incremental change



1

Incremental change: This is the current and historic baseline scenario for most carriers. They're adapting, usually in pockets and reactively, even though STEEP developments challenge many of their attempts to keep up.



Characteristics: Strategy and investment choices limit growth



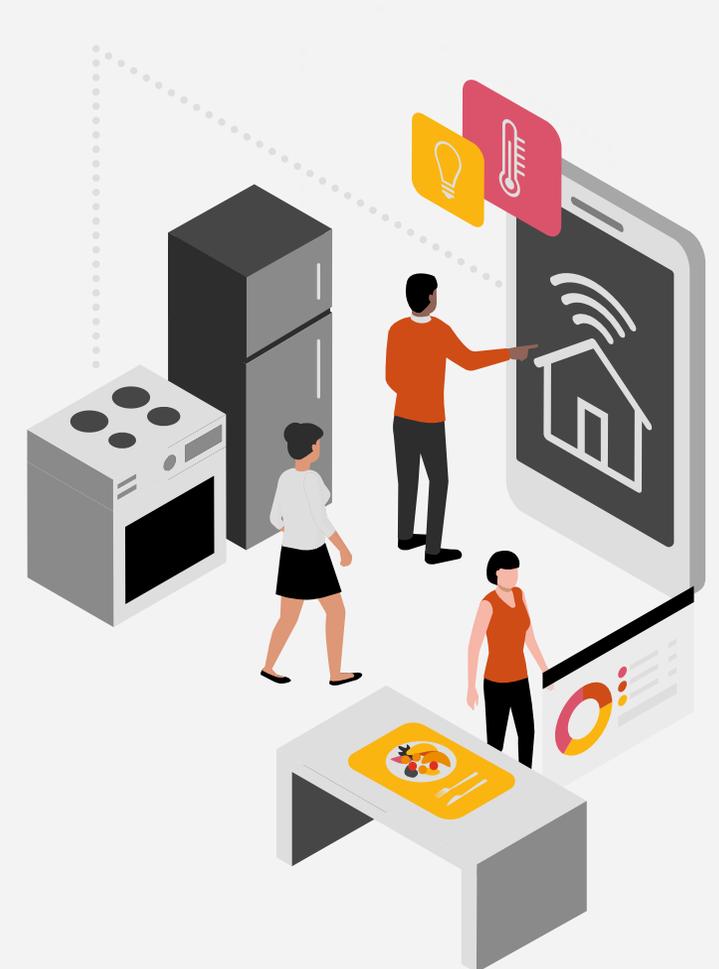
- Modernizes and enhances some key operational (e.g., claims) and customer service areas (e.g., autopay and self-service options) but often lacks an enterprise-wide vision how cloud/digital transformation can enhance the wider business and operations
- Defends or takes market share in and enhances brand with targeted segments, typically by competing on price
- Refines loss mitigation and prevention at the margins
- Lowers expenses typically through short-term cost-cutting
- Is slow to use data to drive better service experiences
- Strategy often lacks full funding and consistent C-suite support

Incremental change

This reflects the industry's traditionally cautious approach to change. There's been progress from just a few years ago but still limited effort to develop strengths and satisfy customer expectations. In this scenario, data analytics, digital and automated channel development, and ecosystem involvement are undifferentiated from most competitors. Directly related, IT — both assets and people — is primarily a maintenance function, not a strategic resource that can help define and create a company's future.

Moreover, while products meet basic statutory coverage requirements, "standard" life and retirement goals and benefits needs, such indistinctness increases vulnerability to competitors who do a better job proactively helping their customers with better service and innovative products.

This approach risks more than commoditizing the business. Companies operating in this scenario don't stand out to potential customers and partners. Such low key, gradual change also tends to result in employees remaining in the same function with a limited career path, restraining personal professional growth and stagnating organizational skills development.



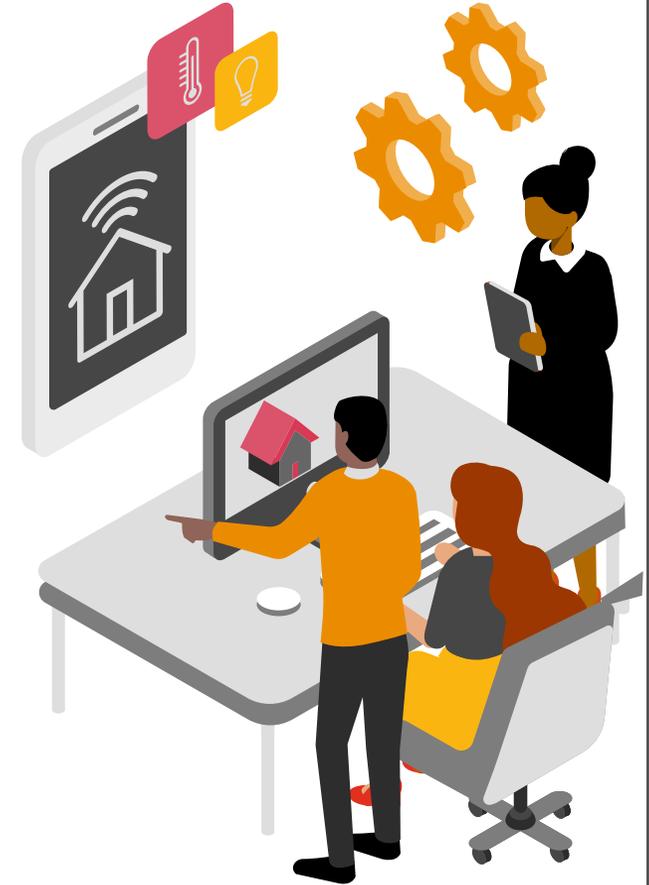
Buyer persona 1: The bare minimum



Lisa and Tom are purchasing a home and need a homeowner's policy. Because they find the vast amount of information they get from web searches confusing, they don't feel like shopping around. Lisa calls their agent, who provides a few basic coverage options. He's busy working with other customers and doesn't explain other products they might need.

Lisa and Tom opt to remain with their current carrier, mainly because it gives them discounts both for bundling their home and auto policies and not having submitted a claim in the past. Even after Lisa reads a report online that ranks their carrier low in customer satisfaction and climate friendliness, she and Tom don't seriously consider another company because their premium is the lowest available. After confirming their choice on another call with the agent, he e-mails them policy documents to electronically sign and bind the updated coverages.

After being in their home several months, a hurricane passes through Lisa and Tom's town for the third time in 20 years. Torrential rains inundate their basement. Because their agent didn't recommend flood coverage, they now face significant clean-up and renovation expenses. Not long thereafter, Lisa and Tom receive an automated renewal notice. Their rates have risen considerably — much higher than inflation, in fact. They're very unhappy, say so to anyone who will listen, and switch to a different carrier at renewal time.

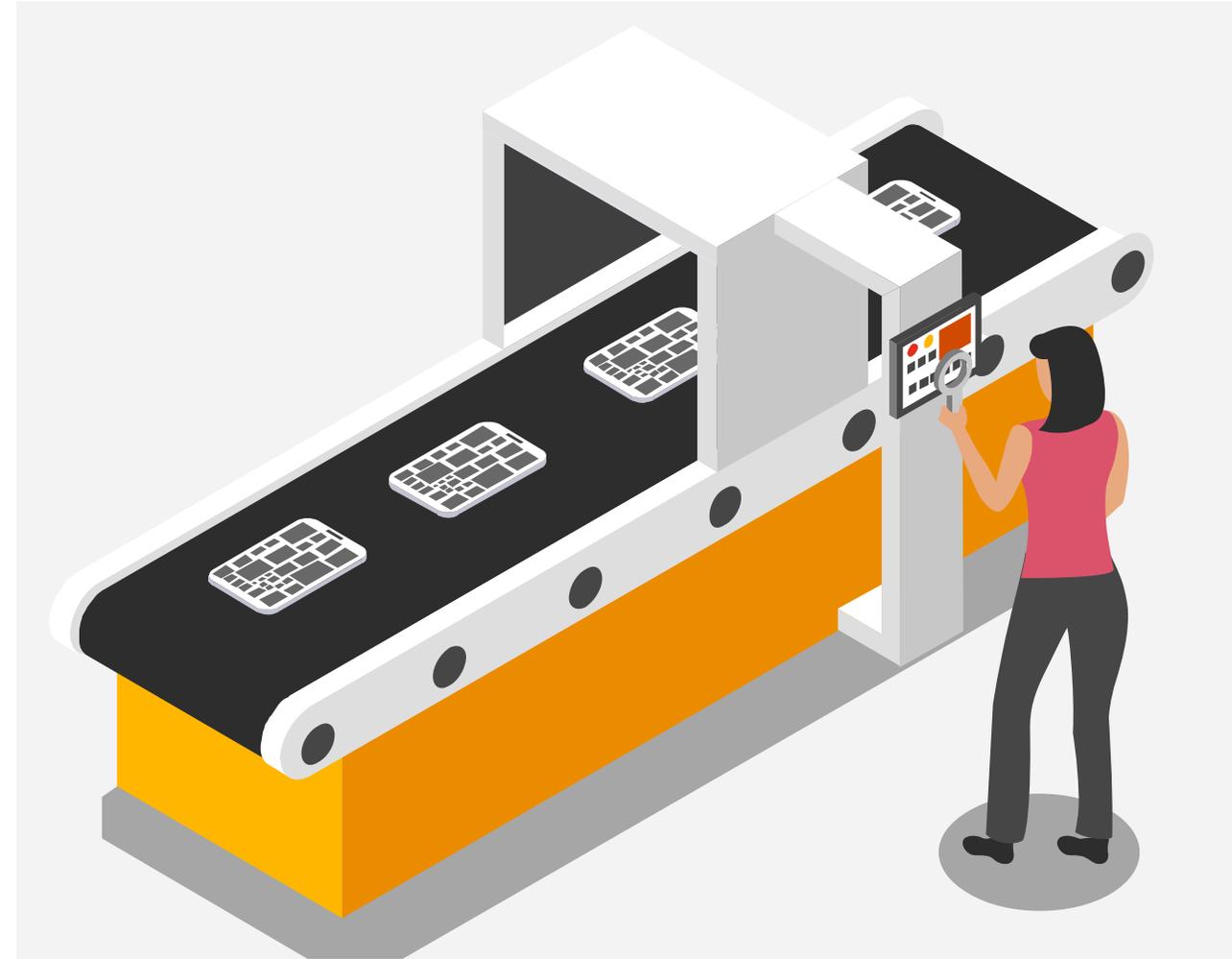
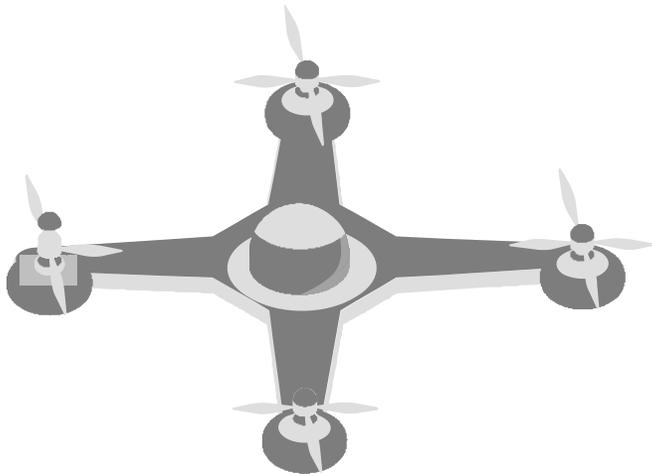


The spectrum of change: Pragmatic evolution



2

Pragmatic evolution: Most forward-looking companies are moving in this direction. Their progress varies depending on their priorities and investments, but they're earnestly trying to create a customer-centric business that orchestrates coverages, services and support for customers as their needs change over time.



Pragmatic evolution



Characteristics: A more forward-looking approach to technology, customers, partnerships and employees

- Powers cloud and digital innovation by reimagining the customer experience, creating a positive feedback loop between tech enablement, distribution and client service
- Accelerates transformation by streamlining key operations and managing risk to drive revenue, business innovation, growth and resiliency
- Experiments with integrated, multichannel interaction points, including ecosystems and embedded insurance
- Personalizes coverages and provides convenient (self-)service by leveraging consumer and market data to create appropriate, AI-informed offerings for distinct segments
- To enhance AI's effectiveness from inception and beyond, has an automated infrastructure that measures AI bot effectiveness
- To retain customers, makes it easy to renew policies and is thoughtful about communication type and frequency

Pragmatic evolution



To obtain meaningful results from this experimentation, these companies are moving beyond just "digitization." They're using technology to defend their business by making it more resilient, secure and economical, as well as grow it by reimagining the value they create and increasing the speed at which they operate. At a basic level, this entails:



A flexible technological base and strategic IT function. Having cloud-enabled operations expedites go-to-market and easier integration with partners by leveraging advanced information analytics, new sources of structured and unstructured data, and rapidly maturing machine learning and AI.

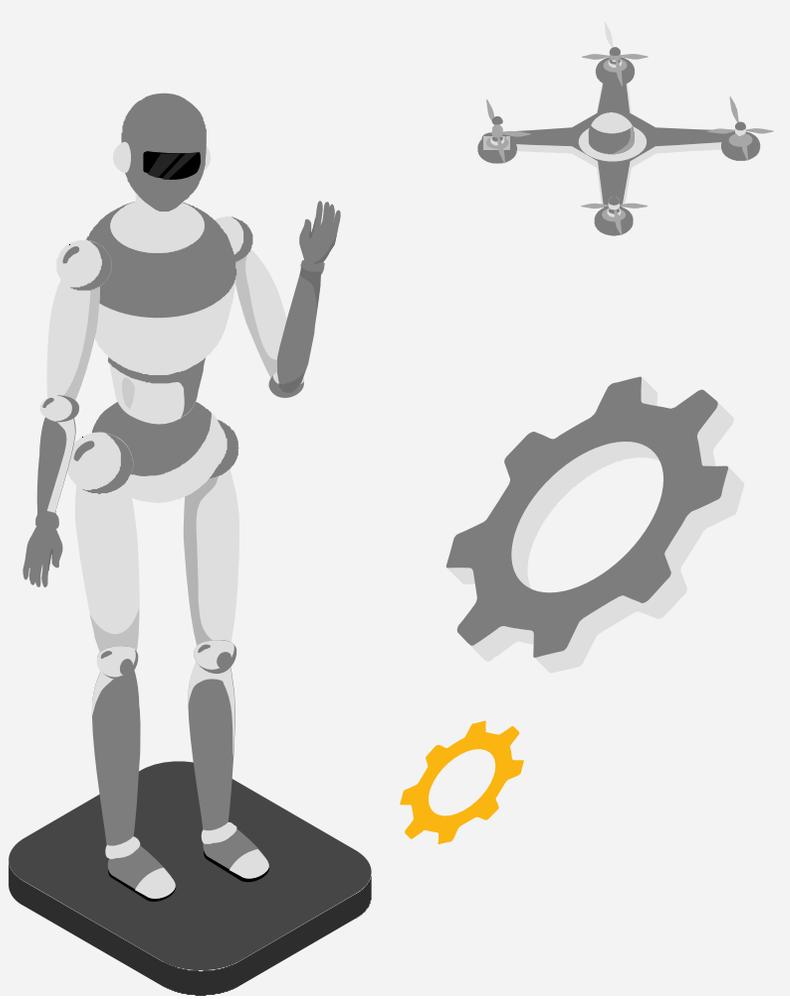


Being able to access from a central repository curated [data](#) from all core systems, including up to date information on new business, commissions, policy administration, claims and more.

Thanks to these enhanced data capabilities, there are increasingly productive attempts at helping stakeholders identify and address ESG risks. This includes proactively notifying policyholders of impending weather events and potential cyber attacks that could lead to claims, as well as providing information on how to prevent and cope with potential loss.

This increased flexibility and innovation also extends to work arrangements. Pragmatic carriers view productivity as outcomes-based instead of task-focused and create career paths that encourage the acquisition of new skills that both employees and the company need.

Buyer persona 2: The AI-enabled relationship



Dave owns and operates a sports memorabilia shop and decides to shop around to see if his commercial rate is competitive. He feels no affinity for his current carrier because the extent of the relationship is submitting payment once a year.

In the recent past, Dave would have done an online search and then called an agent about coverage options. However, now that search engines have become AI-powered answer engines, he can see small commercial policy criteria, compare features and access chat sessions with similar customers to see what they're buying and experiencing.

After a few minutes of research, Dave receives four recommendations from the chatbot. His current carrier, which has been slow to engage with answer engines, isn't one of them. After weighing the options the answer engines present, Dave decides to go with an insurer that has high web scores for competitive premiums and satisfied customers. The answer engine connects Dave directly to the carrier site, which has been recording the data in his inquiry to expedite his application. Soon after the quickly completed transaction, he receives an e-mail from a local agent who offers support and provides some additional coverage options, with explanations why each might be desirable. And because of recent spikes in sports memorabilia value, Dave opts for some riders to his policy — options his previous carrier never mentioned — to increase his protection.

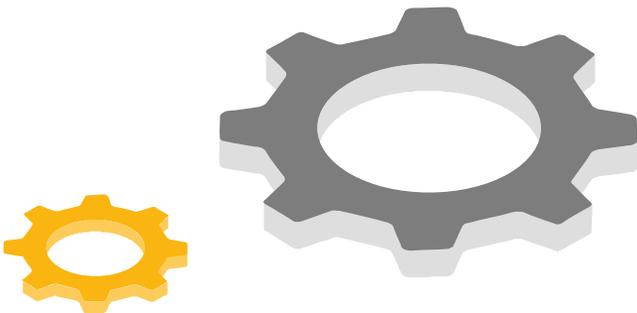
Dave's new carrier has made switching a no-brainer. From ease of research to pricing to completing purchase and then post-transaction support, his experience has been much more relevant to his business than anything he's experienced before.

The spectrum of change: The customer first



3

The customer first: A common — and still largely aspirational — end goal of pragmatic evolution is restructuring business and operating models to put the customer at the forefront, facilitating genuinely personalized solutions. The ideal end game is to center product design around the customer, creating personalized, holistic insurance packages at the point of sale and removing friction by integrating service and support across offerings.



The customer first



Characteristics: Quick configuration, better outcomes

- Carrier and customer success are one and the same, and business and operating models fully support this mantra
- Embraces the full variety of consumer and risk data from sensors, telematics and unstructured data to personalize coverage, provide seamless service, reduce risks and win customer trust
- Offers easy-to-use and informative, AI-powered insurance/financial tools and platforms for employers and employees (group), businesses (commercial and personal lines), and direct customers (all coverage types), as well as agents (all business lines)
- Shares throughout the organization and with relevant partners data from the above and other applications to maintain real-time understanding of customer needs, behaviors and risk profiles
- Helps policyholders and society preemptively avoid loss by moving from probabilistic to deterministic risk management, thereby reducing payouts and increasing profitability

The customer first



In this case, the enterprise is genuinely tech driven. It gets real value from its cloud and other tech investments by being able to quickly configure for innovation, facilitating effective scale, lower costs and competitive prices.

A direct result is a proliferation of effective touchpoints, including via ecosystems, embedded offerings and partnerships. There are enhanced multichannel customer interactions for carriers and intermediaries that generate new opportunities and broaden market reach.

Business models are customer-centric and there is minimal friction in sales and service. Customers enjoy easy to use, increasingly sophisticated, [AI-powered](#) insurance/financial tools and platforms through the consumer market and workplace that offer clear recommendations for and real-time fulfillment of insurance and financial bundles. Moreover, brokers and agents are immediately aware of customer activity — even when they choose to make direct purchases — thanks to technology that scans interactions with customer service representatives, chatbots and social media. Moreover, there's constant measurement of the policyholder, agent and associate experience.

In this scenario, quotes typically come from AI interactions. Underwriting decisions are based on data that carriers collect about and from customers via sensors, telematics, wearables and unstructured data. This data helps carriers offer individualized products that reduce risk exposure, not just manage it after a claim. As a result, customers in all segments — personal lines P&C, commercial, life and health, specialty — can buy insurance not just to cover losses but also to preemptively avoid them. This promises lower premiums for policyholders and fewer and less costly claims, higher margins and reputational benefits for carriers.

In addition, there's open sharing of perspectives on environmental, behavioral, health and other risks to influence remediation and prevention initiatives. This includes active collaboration in public and private initiatives to reduce the risk of weather-related losses and cybercrime.

Finally, as befits a forward-looking organization, management is fully outcomes-focused and new (often mandatory) skill development opportunities and career paths are the norm. This broadens the corporate knowledge base, increases retention and attracts new workers.

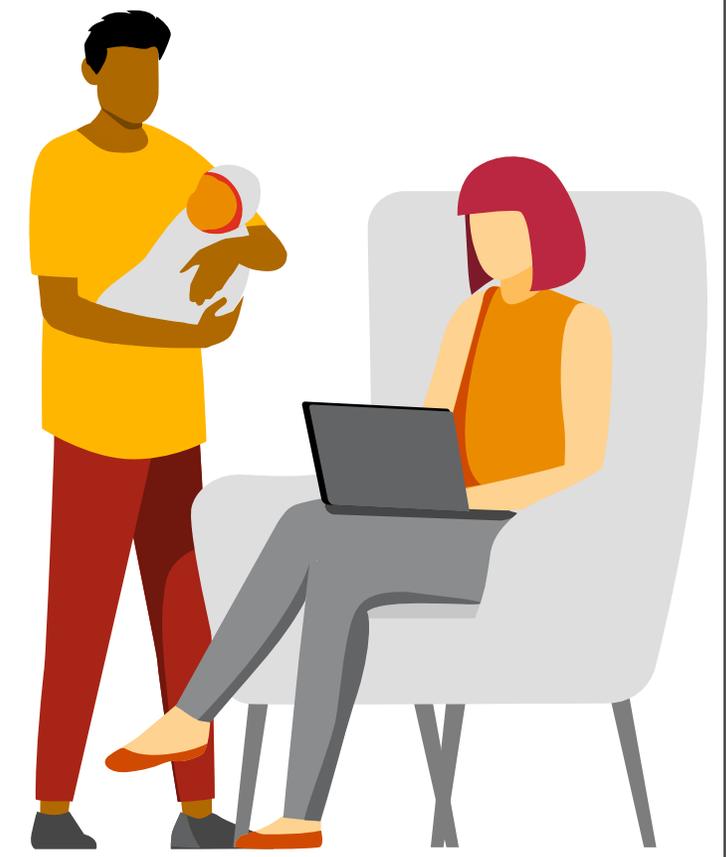


Buyer persona 3: Painless purchases



Jim and Brenda have a newborn daughter and are considering life insurance. Brenda goes on her employer's benefits portal to do some research. At the start of her session, the portal alerts the group benefits provider and a benefits representative. The carrier's AI-powered agent application immediately provides the representative a summary of relevant products, including not just life but also financial wellness. Brenda finds this very helpful because it also addresses concerns she and Jim have about funding retirement and their daughter's education.

Moreover, thanks to the increasing proliferation of touchpoints, Jim and Brenda have increasing access to bespoke, embedded coverages. For example, Jim decides to monitor his vital health statistics with a wearable. He selects one at a local retailer and, with the product purchase, is offered inexpensive and easy to understand supplemental disability coverage (underwritten by an insurance partner). Jim's happy to seamlessly combine a simple purchase with coverage that's highly relevant to his needs as a husband and father.



The spectrum of change: Radical reinvention

4

Radical reinvention: Building directly on the customer first, the boldest carriers are determining how to create unique business and operating models that redefine the very nature of insurance, helping stakeholders avoid risk in the process. This is a long-term goal for most of the industry, stretching through the end of the decade and likely beyond.



Radical reinvention



Characteristics: The very notion of insurance changes

- Partnerships are a strategic tenet because lower barriers to entry and a greater variety of consumer touchpoints, coverages and coverage options necessitate branching out from traditional business and operating models
- As a result, coverage is seamlessly embedded at the point of purchase in practically any transaction via partnerships and ecosystems
- Uses advanced AI that operates in the background, proactively detecting customer needs to the point it can right-size policies with little to no buyer input
- Uses the knowledge at its disposal to work closely with policyholders, communities, government and private organizations to actively ameliorate the causes of and prevent natural catastrophe losses and cyber attacks

Radical reinvention



At this far end of the spectrum, barriers to information and access to capital decline to the point where risk pooling and capital easily coalesce. Sophisticated information analytics extract all useful information and automate key decision-making. This facilitates involvement in ecosystems that integrate multiple parts of the value chain across sectors, thereby embedding carriers in the purchase process for any product and life scenario that might need coverage.

Accordingly, market reach grows and customizable coverage is available for buyers who can fully research and negotiate bulk purchases via multiple, digital access points. Customers who still prefer advice from a person — which is likely to remain the case with big-ticket commercial and group coverage — have access to advisors with truly bespoke approaches to helping them along the entire risk management/health/wealth continuum. In this case, customers now have access to insurance in the context of what is most practical and comfortable for them.

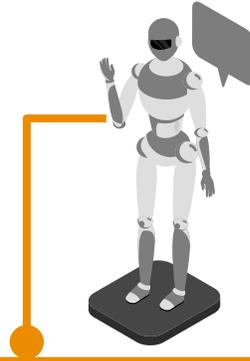
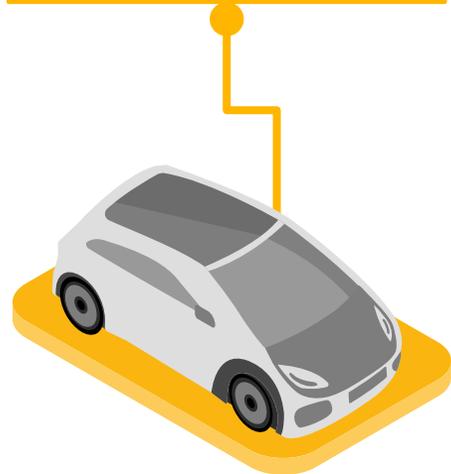
The nature of work also becomes quite different. All routine tasks are automated via AI and many work assignments follow a gig/consulting model, where employees tackle complex assignments and then rotate to new ones.

Lastly, active collaboration on private and public sector initiatives results in advanced, global early warning detection technologies and new risk transfer/sharing mechanisms that significantly reduce human, property and economic loss from climate, cyber and other events, as well as mitigate their causes.

Buyer persona 4: Seamless service and coverage



Frank wants a new car. He puts on his VR headset and enters the [metaverse](#) to check vehicle inventory at a local dealer. As he takes a virtual walkaround of a car that he likes, he receives real-time, AI-generated information on coverage that's available as part of the purchase price of the vehicle.



In this scenario, insurers — typically via partners and embedded arrangements — provide immersive experiences throughout the customer life cycle. AI-powered virtual agents are available 24/7 at the customer's convenience. Moreover, because they have detailed policyholder profiles populated by IoT/telematics data, providers can identify and price risk effectively. In fact, during his metaverse session, Frank also receives offers for auto/home bundles and learns that his home is in a flood-prone area. He's a bit disconcerted that his current carrier never mentioned this.

Later in the week, Frank and his wife, Josie, go to the auto dealer to buy the car Frank saw a few days before. They opt to include an auto and homeowners' bundle (complete with flood coverage) in the purchase. They sign and bind the policy virtually and securely as they complete the transaction. The carrier, who until now has been completely in the background of the transaction, then texts them confirmation of their coverage and welcomes them as policyholders.

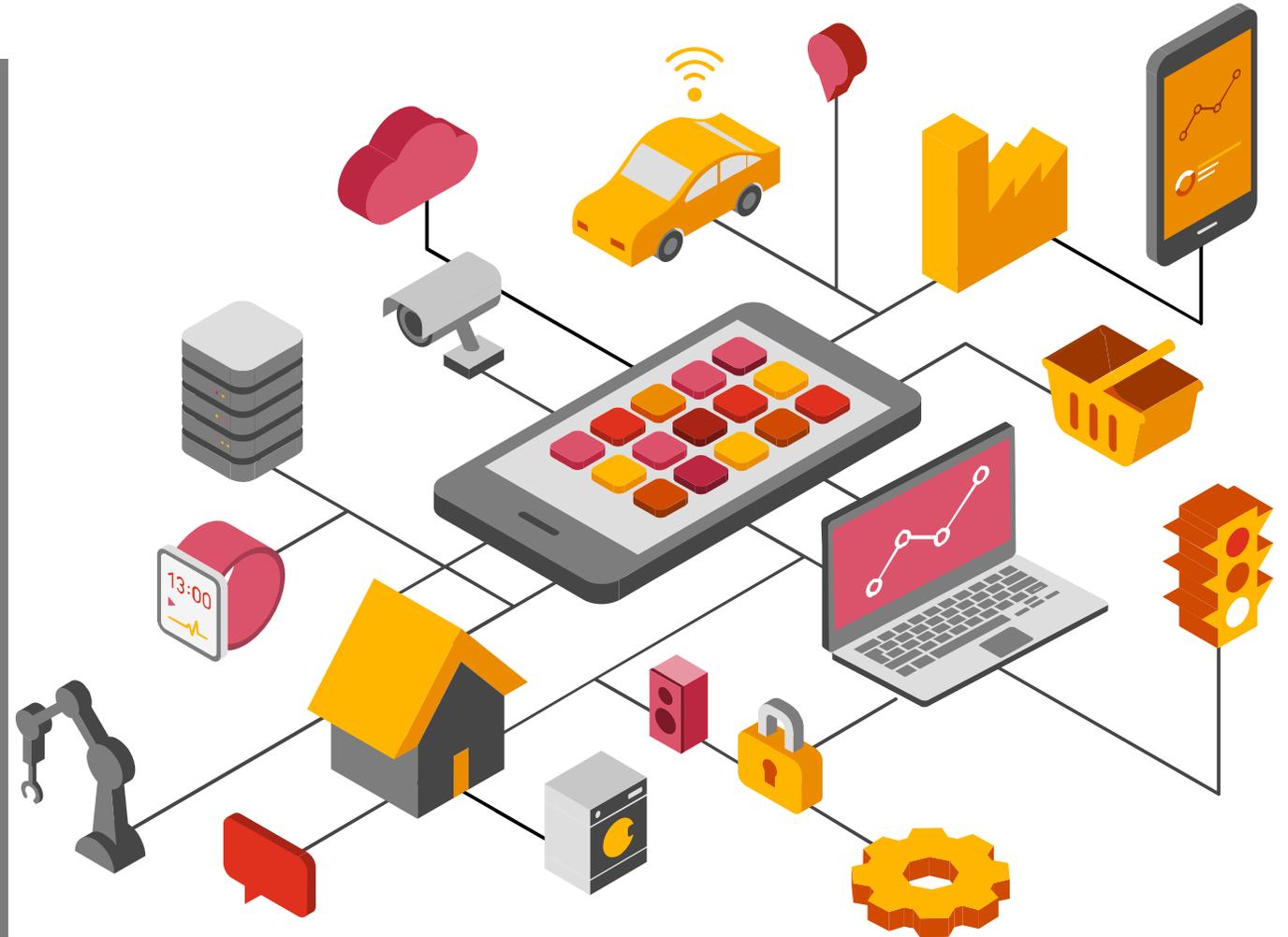


Four months after their new coverage begins, the carrier sends Frank and Josie a text warning that torrential rains may arrive later that day. As a result, they're able to move valuable personal items out of the basement. As an added benefit, because drone and sensor data make the coverage provider fully aware of their circumstances, Frank and Josie receive a claims settlement — deposited directly in their bank account just five days after the storm — for damage they incurred to the basement carpet and walls. Needless to say, they're thrilled by the proactive service and support they've received.

Conclusion: Ride the wave or drown in it

For more than a decade, we've talked about how STEEP factor changes were bringing an end to the predictable world that insurers had known since the 1950s. The social, technological, economic, environmental and political shocks of the 21st century have forced carriers to modernize in order to meet the most immediate challenges. However, most insurers aren't riding the wave of change — they're just trying not to drown in it.

As we've seen so far this century, no one can clearly predict what may happen even in the short term, but our spectrum of business and operating models in a turbulent world isn't theoretical or far-fetched. Our incremental change and pragmatic evolution scenarios describe current reality at almost all carriers. The customer first and radical reinvention scenarios, which depend on already extant (albeit still maturing) technology, are entirely possible. Key factors for carriers trying to wind up on that end of the spectrum include:



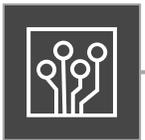
Ride the wave or drown in it



True **customer-centricity**, which is far more than an easily navigable website. It means moving beyond selling products created in-house for single transactions to orchestrating multiple coverages, services and support for customers as their needs change over time.



AI and other advanced data, which can significantly enhance risk assessment, product design, sales and marketing, and improve the customer experience via answer engines, data collection, product customization and service. They also offer the promise of moving insurance beyond restitution and risk mitigation to risk prevention. This will benefit more than just carriers' and policyholders' bottom lines. It will help them meet — if not exceed — corporate, policyholder and societal ESG goals. But you need to act fast to gain an early adopter advantage.



A **flexible technological base and strategic IT function** that will enable you to effectively implement all the above. Cloud and related transformation aren't an end to themselves. Instead, they facilitate internal and external integration, speed to market and IT that's a strategic driver, not just a maintenance function.



Partnerships, ecosystems and embedded options that immediately put carriers at the point of sale and broaden their market reach. These relationships are ideal ways to orchestrate coverage that reaches customers at their greatest convenience and time of need.



Creating **compelling career paths** that fit your current and future skills needs. As they transform, forward-looking companies tend to offer employees diverse growth opportunities and have greater appeal to highly qualified applicants as a result. In a time of skills shortages and widespread worker desire for meaningful professional development, this is a tremendous competitive advantage.

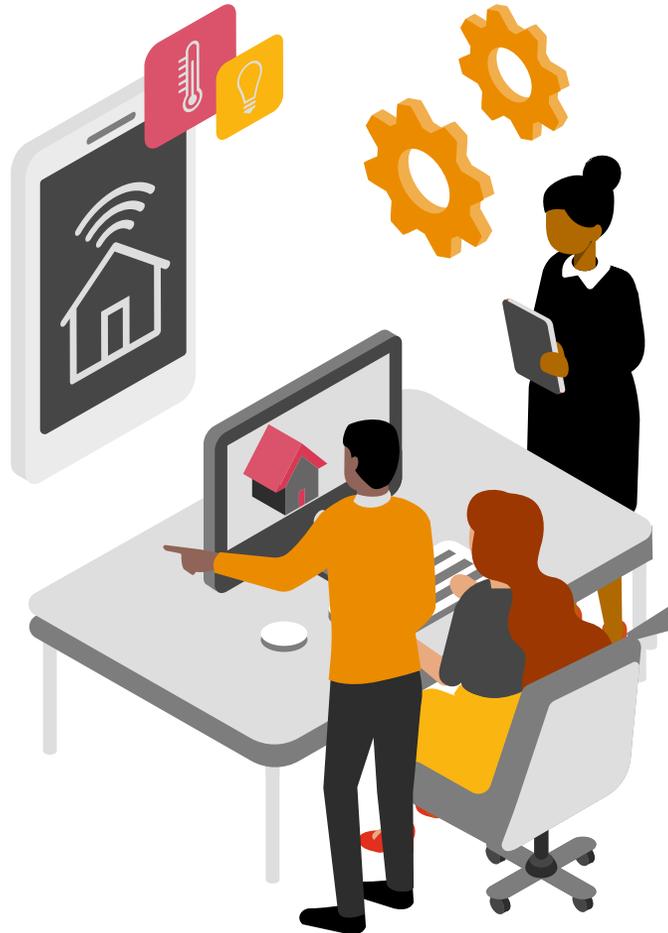


Last but certainly not least, fully **investing in and supporting your strategy**.



Confronting change is hard, especially when it comes from **so many directions at once**. But we don't think incrementalism offers a path to a competitive future. Furthermore, although pragmatism will help a company keep the lights on, it's rarely a recipe for differentiation. Instead, companies that build themselves around the customer can reach the point where insurance will finally be bought rather than sold.

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