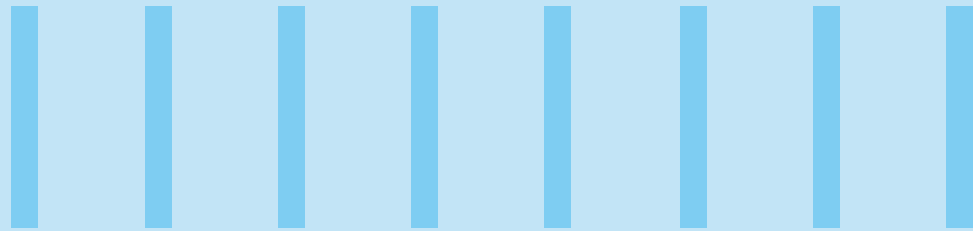


8 IMPERATIVES FOR NAVIGATING RISKS AND EMBRACING OPPORTUNITIES



Global Insurance I.N.S.I.G.H.T.S. 2024

At Infosys Insurance, we firmly believe that the insurers stand as the unwavering 'guardians of global economic risks' (#goger), ready to navigate the future with resilience, compassion, and innovation.



Looking at the roadmap of the future, it appears to be riddled with challenges, even as the dust settles on managing inflation.

Geopolitical tensions, interest rate fluctuations, risks from emerging as well as disruptive technologies, and cybercrime within the global economic landscape persist, casting long shadows on tomorrow. The year 2024¹ is set to be one of significant political uncertainty and economic instability as countries that account for 60% of global GDP head for elections. Amidst these challenges, the insurance industry must also confront the escalating risk posed by AI and manage the associated evolving regulatory landscape. Further, the legacy and threat of the pandemic lingers, leaving scars on healthcare systems and consumer behavior.

In this turbulent landscape, the insurance industry is tasked with navigating uncertainty and ensuring financial stability. Acting as sentinels, insurers are now forging a path forward to give customers a seamless experience while also ensuring proper coverage and peace of mind against risks. Innovation within insurance spans from parametric policies that respond swiftly to climate events to cyber insurance tailored for the digital age. Each stroke of creativity anticipates tomorrow's risks with the precision of a seasoned artist. At the foundation of this innovation lies technological prowess and operational efficiency. Insurers today are unafraid to embrace automation and AI to streamline their processes, settle claims with ease, and fiercely protect their data.



EIGHT IMPERATIVES

from insights into 2024 that insurers must embrace if they are to not merely survive but also thrive in tomorrow's world.

The current insurance industry exemplifies stability by balancing risk with resilience such that when the winds of uncertainty howl, policyholders can find solace in their financial safety nets. The future landscape suggests a growth curve driven by vigilance, innovation, and unwavering commitment.

1

INSURANCE PREMIUMS CONTINUING TO HARDEN

Experts predict that insurance premiums will harden in the year 2024, driven by intensifying global risks, tightening market conditions, evolving regulatory environment, and the emergence of technological threats. This will increase the cost of insuring businesses and individuals alike.

Non-life insurers anticipate improved profitability in 2024 owing to better investment returns strengthened by higher interest rates, hardening of premiums, and lower claims severity due to slowing inflation. The life insurance industry is adapting to the new reality of higher interest rates and expecting strong growth from savings products. However, their global economic outlook for 2024 remains uncertain due to economic instability and inflationary pressures. Thus, insurers will need to carefully manage risks and adapt their pricing strategies accordingly to navigate these challenges.

2

NURTURING TALENT AND
WORKFORCE DEVELOPMENT

While the insurance industry is gearing up for significant transformation, it still faces a looming shortage of talent in critical areas like data science, cybersecurity, digital marketing, and generative AI (GenAI) due to factors such as employment rates, Gen Z's tech-savvy outlook, and the aging workforce. The demand for skilled professionals in these fields is expected to surge in 2024, driving insurers to attract, develop, and retain top talent.

Talent development is cited as a top priority by over 55% C-suite executives², a 22% increase compared to the previous year. Further, technologies such as GenAI and machine learning are poised to significantly increase labor productivity, freeing up employees from repetitive tasks. This shift, however, necessitates extensive reskilling and upskilling, both for existing employees and potential candidates seeking career advancement.

3

SEEKING CLIMATE RISK RESILIENCE
AND SUSTAINABILITY

In 2024, insurers will pursue climate risk resilience and sustainability as strategic goals. This shift is driven by financial pressures arising from the rising costs of claims, regulatory changes, and risk management as well as potential reputational benefits.

Insurers play a crucial role in helping businesses and communities adapt to climate change and mitigate its impact. They do this by developing innovative insurance products, providing risk assessment services, and promoting sustainable practices. For instance, Chubb³ has launched a packaged insurance solution in the UK (with plans for a global rollout) to bolster adoption of renewable energy projects. Insurers are also combining their expertise in risk assessment with the latest technologies to help businesses understand and manage climate risks. For instance, they are leveraging data, the Internet of Things (IoT) sensors, and advanced analytics to predict, manage, and monetize various climate risks. European insurers such as Aviva⁴ and Zurich⁵ are at the forefront of this change leveraging technology to address a dynamic risk landscape. As sustainable green IT solutions gain momentum, environmental considerations will significantly influence the IT investment decisions of insurers.

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4

INNOVATING PRODUCTS AND
SYSTEMS OF ENGAGEMENTS

Customer expectations are evolving towards personalized, seamless interactions and bespoke solutions. Thus, innovation in products and services will continue to be a priority for insurers in 2024. Not surprisingly, 44% of insurance CXOs plan to focus on product and service innovation² in the next 12 months.

To satisfy the evolving customer expectations, insurers are leveraging technology and data analytics to curate and offer dynamic products. For example, AXA XL⁶ uses drones, satellite imagery, and simulations for claims assessment, exemplifying the industry's commitment to faster and more effective settlements. Insurers are also testing the capabilities of modern approaches, often in 'innovation hubs or short-term programs, such as the Lloyd's Lab accelerator program. Additionally, insurers are investing in ventures to accelerate innovation, enter new markets, and generate additional operating efficiencies. Innovative products will be a critical component of insurers' ability to stay ahead of future disruption and changing market conditions in 2024.

Elevating the customer experience will remain a cornerstone of the business vision of insurers in 2024. Strategies that focus on personalized interactions and deeper engagement will be key differentiators in a competitive market.

5

GEARING UP FOR REGULATORY CHANGES, DATA PRIVACY, AND SECURITY

Global regulators are addressing emerging issues such as data ownership, privacy, resilience, digital platforms, AI, and sustainability. Thus, in 2024, insurers will concentrate on adhering to regulatory changes, data privacy, and security to ensure compliance, adapt to a rapidly evolving data landscape, build customer trust, and mitigate cyber threats.

In the EU, insurers are directing their compliance efforts on areas like digital operational resilience (DORA⁷), sustainability disclosure (CSRD⁸), corporate due diligence duty (CSDD), and the Artificial Intelligence Act (AI Act⁹). In the US, the National Institute of Standards and Technology has put forth its AI Risk Management Framework¹⁰ that identifies six factors for risk mitigation and the assessment of an AI system's trustworthiness. Additionally, regulators across the globe are starting to consider financial risks associated with climate change. In view of these developments, insurers will be required to focus on new risks, enhance their risk data and IT systems, and stay ahead of ongoing regulatory changes.

6

HARNESSING PARTNERSHIPS

In 2024, insurers will strategically focus on partnerships to adapt to the evolving landscape, cater to customer needs, leverage technological advancements, facilitate M&A activities, and enhance operational efficiency. This pivotal strategy is expected to drive their long-term success in an increasingly competitive market.

Insurers are collaborating with other industry stakeholders such as technology companies, IT services firms, data providers, and risk management experts to address complex challenges and develop innovative solutions. Our study reveals that over 22% of insurance CXOs are likely to undertake strategic collaborations² in the next 12 months, foreseeing transformative effects on their business. Some examples of this trend are how WTW partnered with Sonr¹¹, and Munich Re worked with Paperless Solutions Group¹². Such partnerships will serve as key enablers for enterprise transformation strategies and enable cutting-edge solutions for businesses and individuals. Apart from collaborations outside the insurance industry, insurers are also expected to look within and focus on strategic alliances and partnerships with other insurance players in 2024, paving the way for sustainable growth and industry differentiation.

7

TACKLING CYBER RISK AND EMERGING THREATS

As cyberattacks evolve in sophistication and cost, cyber insurance emerges as a vital element in business risk management. Ransomware and supply chain attacks¹³ dominate the cyber risk landscape, heightened by global geopolitical and economic uncertainties. The increasing challenge of detecting these threats necessitates automation and innovation, making cybersecurity a focal point in 2024.

Cybersecurity is a top priority for insurers in 2024. It is imperative for them to establish strong cybersecurity measures and robust protection strategies to safeguard their operations. Further, they must continue to focus on balancing risk and efficiency while ensuring that their cybersecurity strategies align with the overall business goals. Some are developing new products and services that can address this growing threat across any industry. For instance, Chubb¹⁴ has developed an extensive network of in-house expertise focusing on risk assessment, risk management, and risk partnership. Leading insurers including Allianz, AXA XL, Beazley, CFC, Munich Re, Somp International, and Zurich North America, are collaborators in the "Cyber Catalyst by Marsh" program¹⁵ that aims to foster cybersecurity transparency.

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8

SWEEPING TRANSFORMATION WITH
TECH AND INSURTECH TO RESHAPE
THE LANDSCAPE

Technology and InsurTech are driving a profound shift in the insurance industry. Notably, AI technologies have the potential to contribute as much as US \$1.1 trillion¹⁶ in annual value to the global insurance sector. Of this, over US \$400 billion can be obtained from enhancements in pricing, underwriting, and promotional technology while an additional US \$300 billion will be gained from AI-driven customer service and tailored offerings.

Thus, many insurers are rapidly embracing emerging technologies such as GenAI and IoT to streamline operations, enhance risk assessment, and deliver personalized customer experiences, thereby fostering a culture of transformation. AI and automation have taken centerstage in the insurance industry. 60% of Infosys insurance clients are actively exploring AI adoption and 15% are already implementing AI use cases. The adoption of AI and IoT is evident in claims processing, where automation makes processes faster, more efficient, and customer centric. Some renowned insurers are already leading the pack in adopting advanced technologies to improve efficiency and drive innovation. Examples include the launch of AXA Secure GPT¹⁷, Zurich's testing of GenAI¹⁸, and the launch of Clara by Helvetia¹⁹. Clearly, despite potential risks, the transformative benefits of GenAI in underwriting, customer experience, and product innovation are expected to drive widespread adoption across the industry in 2024.

The year 2024 will put insurers at the intersection of innovation and adaptation. Those who embrace technology, partnerships, and regulatory changes will lead the way. The future promises not just resilience but a thriving industry, shaped by innovation and unwavering commitment to customer satisfaction.



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