Insurance reimagined:

Spotlight on trust, convergence and transformation

INSURANCE 2025 AND BEYOND

Contents

Foreword

Dear reader:

Insurance has undergone a transformation. As we described in our *Future of Insurance 2020 report*, the industry has faced demographic changes, rapidly evolving customer expectations, advancements in digital technology and analytics, and the challenge of maintaining a continued focus on innovative risk prevention. Though insurers acted slower than we expected, most embraced the need for change. Throughout this transformation, new market entrants and technology-led innovators known as insurtechs introduced capabilities and offerings at a much faster pace, challenging the status quo.

Since then, incumbents have stepped up their transformation efforts, as the COVID-19 pandemic pushed many that had historically been hesitant in their digital endeavours to accelerate the adoption of new technologies and tools. Macroeconomic fallout from COVID-19; environmental, social and governance (ESG) issues; and workforce-related challenges have also become more prominent on insurers' agendas. Some market players have taken the opportunity to rethink their long-term strategies, because notions of trust and societal purpose now play a greater role in the industry than ever before.

It's against this backdrop that we developed our views on insurance in 2025 and beyond. We highlight five key trends shaping an industry in transition and provide five strategic imperatives to help insurers reimagine their business models and capture future growth. We believe that a truly purpose-driven, customer-centric, digitally empowered insurance industry is within reach.

We hope that you find our analysis of where the industry is today, and our vision of where it will be in a few years' time, helpful.

Jim Bichard
Global Insurance Leader
Partner, PwC UK

Abhijit Mukhopadhyay
Global Insurance Advisory Leader
PwC US Principal on secondment to Japan

Where are we now?

Insurers came through the tests posed by COVID-19 remarkably well. The industry not only met its escalating obligations to policyholders, including increased life and health claims, but also went above and beyond by offering free insurance to first responders, premium forgiveness and refunds. Insurers dealt with unprecedented interruptions to their business by accelerating its urgently needed digital transformation. And they proved their relevance in a time of extreme crisis, not only as an essential economic player but also as a provider of protection and peace of mind for businesses and individuals around the world.

The past decade, and the last few years in particular, have been an exhilarating and challenging time for an industry that is traditionally risk-averse and slow to change. As we look to 2025 and beyond, insurers must harness the momentum they've gained to meet a host of new difficulties. These include macroeconomic and structural headwinds, increased demands regarding climate risk and social purpose, new forms of competition, changes in reporting and accounting standards,[1] and the exponential growth in digital innovation. *Regardless of how insurers capitalise on these trends, they'll need to reassess the future and reimagine their place in the world.*

The challenges to the industry come at a time when the global protection gap (the difference between actual and insured losses), which reached US$1.4tn in 2020, is forecast by PwC to widen at an accelerating pace. With a growing need to find long-term solutions to address social and economic disparities and business resilience, insurers must go beyond their traditional mandate.

Expectations are also mounting for the industry to play a greater role in environmental, social and governance (ESG) issues, as both investors in and underwriters of other corporations. Currently, only 45% of insurers believe ESG is a very important factor in their underwriting activities, according to analysis by the PwC Market Research Centre. A separate survey by insurance asset management firm Conning suggested that almost 80% of insurers in the US have incorporated ESG factors into their investment strategies since 2020.

Continued rapid advancements in digital and analytics capabilities, from inside and outside the industry, have put many players under pressure. We've seen a sharp increase in digital efforts and adoption in areas like distribution, operations and claims. However, insurers still lack speed and agility due to inherent complexities such as legacy systems and traditionally siloed operations. A fresh approach to digital is needed to drive a competitive advantage that can be sustained.

1 PwC, *IFRS 17: Insurance contracts,* accessed in Apr 2022, www.pwc.com/gx/en/services/audit-assurance/ifrs-reporting/ifrs-17.html.

The race for digital and data-driven technology and a buoyant capital market have also led to a dramatic increase in mergers and acquisitions over the past couple of years. After a 40% increase in financial services deal volume and valuations in 2021, we expect many insurers to continue to take advantage of market conditions to optimise their portfolio, acquire new digital capabilities and form strategic partnerships.

At the same time, addressing workforce challenges has also topped the management agenda. Those challenges include managing productivity, ensuring employee wellness and engagement, and hiring the right specialists in a competitive market. Workforce issues will remain a priority as the industry adopts new ways of working and builds new capabilities in areas like digital, ESG and cybersecurity.

All of this is happening in a global macroeconomic landscape increasingly defined by a new geopolitical world order, supply chain disruptions, interest rate hikes, labour market pressures, and the withdrawal of COVID-19–related stimulus. Concerns of persistent inflation have become real in most economies. As a result, some carriers are facing increasing claims costs, and awareness is growing across industry sectors of potential asset–liability mismatches and the resulting implications for surpluses.

Though 63% of insurance CEOs surveyed in PwC's 25th Annual Global CEO Survey are quite confident about growth prospects in 2022, the volatility surrounding the macroeconomic climate makes it all the more important for insurers to conduct robust scenario modelling as they refresh their strategies.

As the economy continues its recovery from the initial impacts of the pandemic, now is the time to assess where the industry is heading and determine what long-term changes are needed for insurance to serve a higher purpose in a fast-changing and uncertain world.

In the following pages, we identify five key trends that will influence the industry in the coming years and five strategic imperatives highlighting implications and actions that insurers need to consider as they rethink their strategies and chart a course for the future.

Five trends affecting the future of insurance

An ambitious agenda must start with a thorough understanding of the forces that will likely shape insurers' growth trajectory—over the next five years and beyond.

01 A widening trust gap in an uncertain world

02 Rapidly evolving customer needs and preferences

03 An increasingly digital and AI-driven world

04 Climate risk and a focus on sustainability

05 Convergence, collaboration and competition

1

A widening trust gap in an uncertain world

In a world in which trust in businesses and governments is declining, trust in financial institutions is near an all-time low. According to the *2022 Edelman Trust Barometer*,[2] only 54% of respondents trust the financial services industry, 10 percentage points lower than the average for other industries in the report.

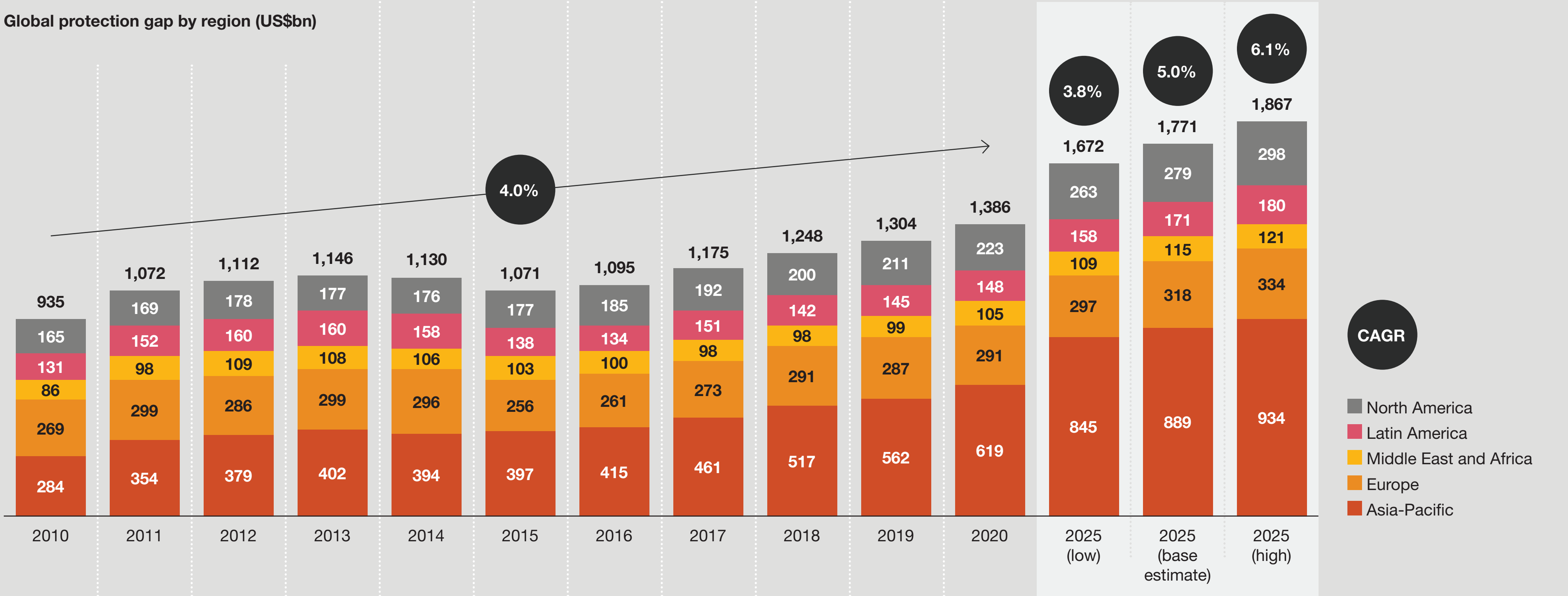
This erosion of trust, combined with lack of access and poor financial education, has made customers less likely to buy insurance and has led to wider protection gaps and higher economic losses. Since about 2000, the global protection gap has drastically widened across all sectors, reaching US$1.4tn in 2020. Our analysis estimates this gap could reach US$1.86tn by 2025, with the Asia-Pacific region accounting for almost half of all uninsured risk.

Trust is fundamental for insurance, and insurers clearly have a much bigger role to play in our society and economy than just protecting risks.

2 Edelman, *Edelman Trust Barometer 2022*, 2022, www.edelman.com/trust/2022-trust-barometer.

Figure 1: The global protection gap is projected to continue setting historic highs

Global protection gap by region (US$bn)



Note: The protection gap is defined on a 'premium-equivalent' basis, meaning that it indicates the premiums needed to cover the gap. Totals may not equal sums due to rounding.

Sources: PwC Market Research Centre, Swiss Re Institute, International Monetary Fund

Wealth disparities accelerated by the pandemic and the continued erosion of the middle class are some of the factors that have contributed to greater social distrust. Insurers will need bold, purpose-driven leadership and a clear strategy for addressing the trust challenge. We also expect that insurers' strategic agendas will be influenced by rising stakeholder activism and demands for greater accountability and transparency with respect to ESG issues.

To strengthen trust in insurance, some providers are focusing on alleviating social injustice by creating a more inclusive social and business environment. They are working to bridge access and coverage gaps by educating customers, creating affordable products, such as micro insurance, and more effectively distributing them to reach more customers. Some are also forming public–private partnerships with local governments, regulators and policymakers to address financial asymmetries, build solutions for future climate or pandemic-related risks, and improve access to affordable healthcare.

2

Rapidly evolving customer needs and preferences

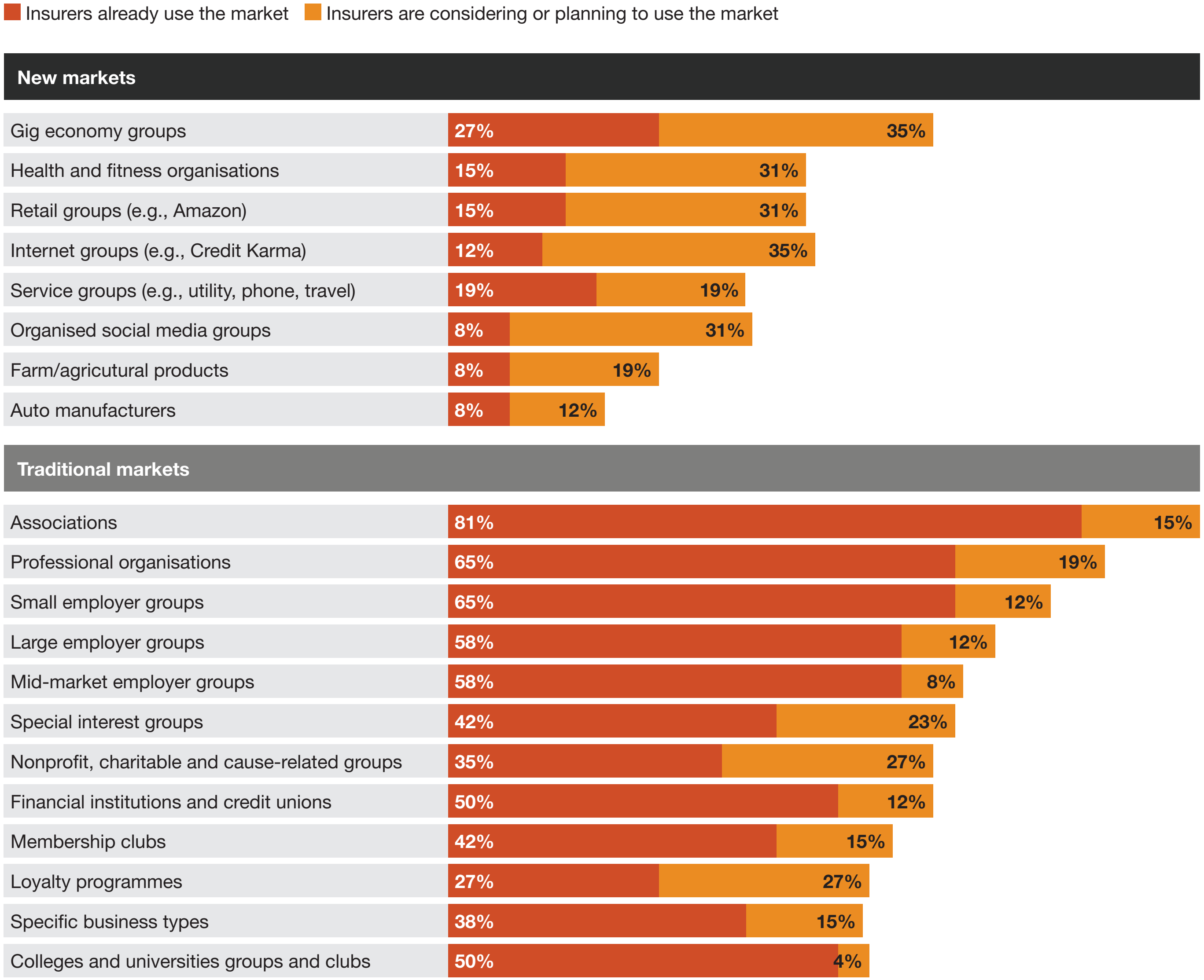
Customers today aren't simply looking for financial protection. They want personalised solutions presented in the context of their day-to-day lives, be it while buying a car, planning for retirement or starting a business. Customers expect insurers to go beyond their risk-transfer obligations and offer end-to-end solutions, covering risk prediction, prevention and intervention, and to underpin those services with powerful digital and data capabilities.

To remain competitive, insurers must reimagine how they serve customers, provide advice, and capitalise on new partnerships and innovative engagements in order to create sustainable business models that drive growth and enhance the customer experience.

Take, for example, the rapid evolution of platform-based business models like marketplaces and embedded insurance. To serve customers in an evolving digital landscape, carriers are building up their nontraditional distribution models and fully digital 'insurance-as-a-service' offerings. Figure 2 illustrates the growth prospects of affinity programmes and markets that have emerged as insurers seek new partners, such as gig-economy groups and e-tailers, to sell insurance. The demand from consumers is such that we expect a significant portion of insurance revenues will migrate from traditional distribution to digital platforms offering insurance-as-a-service.

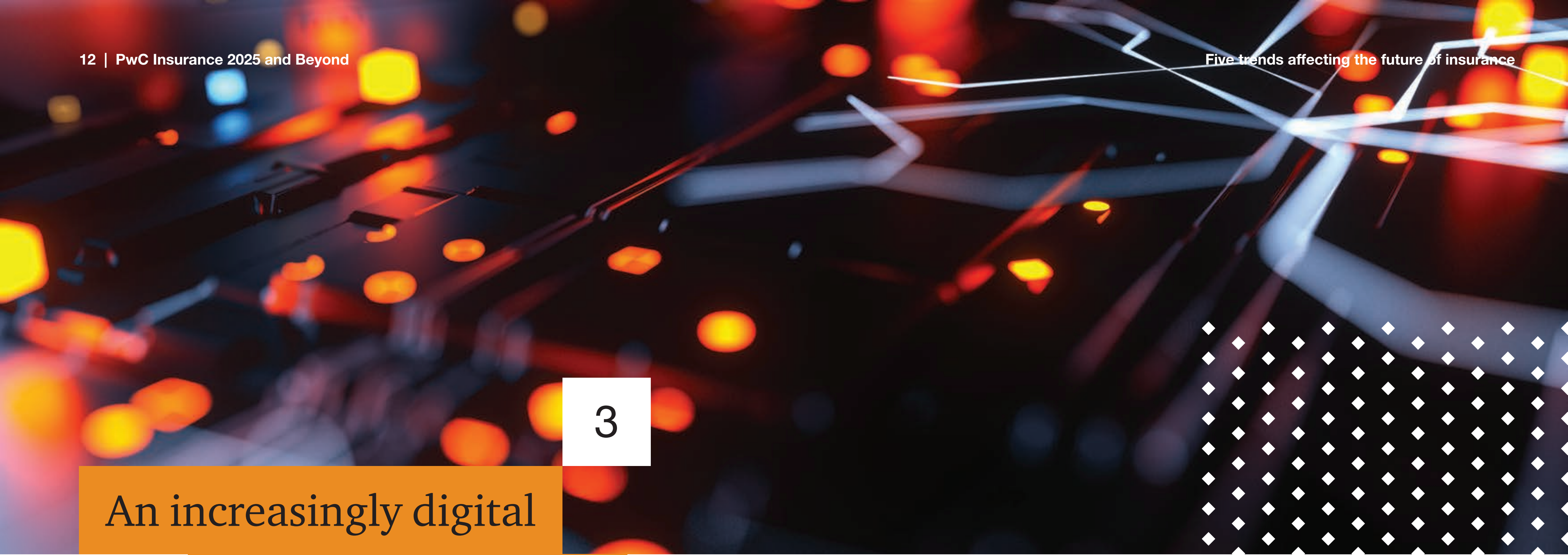
Figure 2: Insurers are looking to build affinity programmes

Affinity and programme markets that are being targeted by insurance firms



Source: Majesco 2020 survey of UK and US companies

> 80% of insurance CEOs have customer satisfaction metrics embedded in long-term corporate strategy.
>
> **PwC's 25th Annual Global CEO Survey, 2022**



3

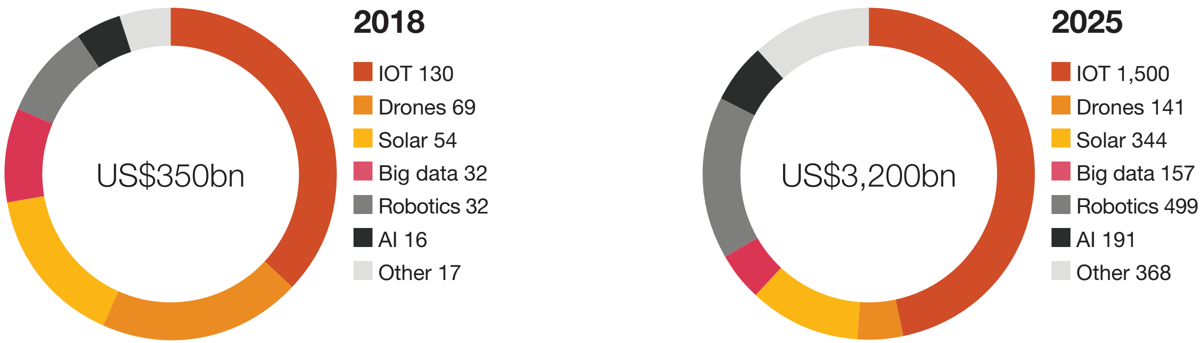
An increasingly digital and AI-driven world

As digital innovation and adoption continue to fundamentally reshape the risk landscape, they also create new opportunities for those insurers that can innovate at pace.

The impacts of technology on our lives and our insurable risks from developments such as self-driving cars, robotic factories, embedded sensors, crypto assets and non-fungible tokens (NFTs) are arriving at a fast and furious pace. In their 2021 *Technology and innovation report*,[3] UN analysts estimated that the size of the frontier technologies market will multiply by a factor of nine by

Figure 3: The boom in frontier technologies is expected to continue through 2025

Market size estimates of frontier technologies (US$bn)



Sources: PwC Market Research Centre, United Nations Conference on Trade and Development

3 United Nations Conference on Trade and Development, *Technology and innovation report 2021*, 25 Feb 2021, unctad.org/webflyer/technology-and-innovation-report-2021.

2025, with innovations in the internet of things (IOT), big data, solar panels and robotics contributing to a US$3.2tn market.

Automation and AI are already changing the way insurers interact with consumers across the value chain—from product design to underwriting, pricing and claims. Recent advancements in the digitisation of client interactions have included the growing use of so-called bionic advisers that integrate human and digital client experiences. And proliferation of data sources and analytical power will continue to unlock new capabilities, such as event- and usage-based insurance (or 'on-demand' insurance) and real-time pricing and claims processing.

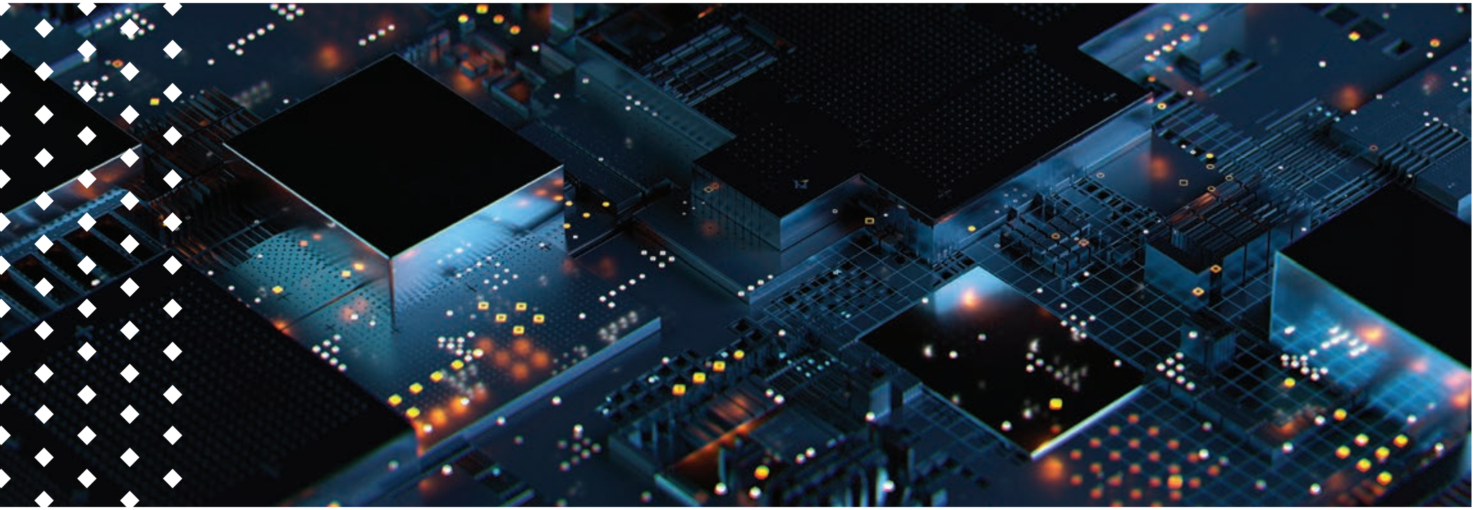
It's now possible to imagine that a life insurer can predict and intervene in health events based on a simulated digital twin of a customer. And the industry is edging closer to broader adoption of similar scenarios that can be applied to insurance products across coverage lines, with data inputs from smart-home sensors, vehicle telematics data, factory and warehouse sensors, and a growing number of devices with IOT technology.

Insurers must fully embrace the digital future by leveraging the power of digital technologies, data and responsible AI[4] for product offerings, pricing and customer engagement. The digital world will reward those who can innovate and adapt quickly, and insurers need to be on the offense with the right strategy, capabilities and urgency needed to win.

"

The bionic adviser model will be a key capability in the future insurance model.

Imre Sztanó, Head of Strategy, NN Group



4 PwC, *Responsible AI*, accessed in Apr 2022, www.pwc.com/gx/en/issues/data-and-analytics/artificial-intelligence/what-is-responsible-ai.html.

4

Climate risk and a focus on sustainability

The growing threat of climate change poses systemic physical and transition risks, with direct implications for the insurance industry. To protect against and prevent these risks, insurers will need to develop a deeper understanding of them in their portfolios, rebuild their risk models and pricing assumptions, create new climate-related products and services, and work with organisations to help them mitigate climate risks.

The reinsurer Swiss Re estimates that up to US$183bn of premiums could be generated globally by 2040 as a consequence of climate change, mostly in the property insurance segment, given the threat of exposure to catastrophes such as floods, earthquakes, and extreme weather events like storms and wildfires.

Because of their inherent expertise in risk management, insurers and reinsurers have a clear opportunity and societal obligation to lead the way in fighting the global climate crisis. Setting a long-term ambition that's supported by tangible near-term commitments is the right first step to expand their relevance beyond risk transfer and to take an active role in changing outcomes on a broader scale.

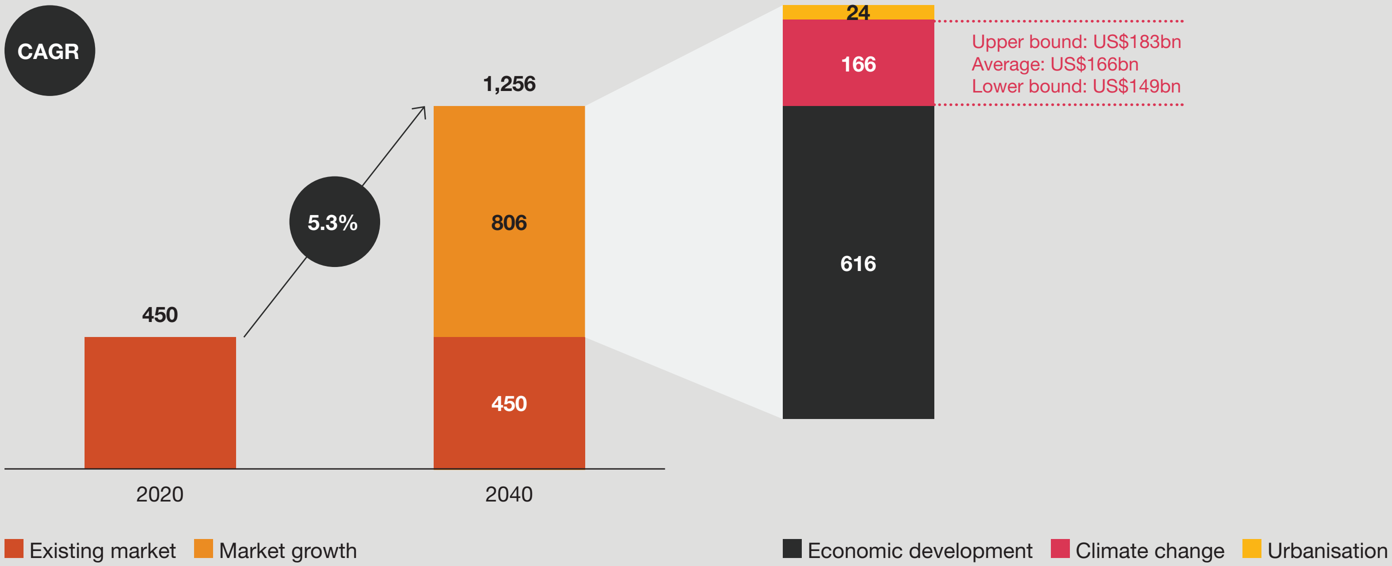
“

Weather risks are constantly changing and evolving, and we need to understand these changes so that we can price for the exposure. Working with industry and government will help drive better standards and make infrastructure more resilient.

Michael Klein, Executive Vice President, President of Personal Insurance, Travelers

Figure 4: Global property premiums are forecast to rise through 2040

Key drivers of additional global property premiums by 2040 (forecast in US$bn)



Sources: PwC Market Research Centre, Swiss Re Institute, Reuters

Insurers can work with customers to better adapt to climate change by investing in more resilient infrastructure and supply chains and providing advice to help clients address the physical and transition risks. However, meaningful change will require collective action across sectors of the industry, including public–private partnerships in which insurers can collaborate with regulators, local governments and policymakers to mitigate climate risk. This sort of collaborative effort can take the form of developing holistic catastrophe risk models, investing in data collection and climate adaptation research, and fostering coherent and consistent climate policies and regulatory frameworks, among other initiatives.

In addition to advancing environmental priorities at an operational level, insurers have a role to play as institutional investors. Even though insurers may not have direct control over decisions made by investment firms, they must find a way to get their voices heard on climate issues.

A survey of large insurance companies by the responsible investment charity ShareAction found that 44% of insurance firms have a climate policy for investments, compared with 30% that have a climate policy for the underwriting business. The numbers are lower for net-zero policies on underwriting activities, with only 3% of respondents having a net-zero policy.

5

Convergence, collaboration and competition

A digital, data-rich economy is allowing organisations to share and collaborate within and across industry boundaries in new ways and create new value propositions for customers. Whether it's in mobility, financial wellness, health, or small and medium-sized enterprise business needs, much investment is converging around digital platforms such as ecosystems and marketplaces.

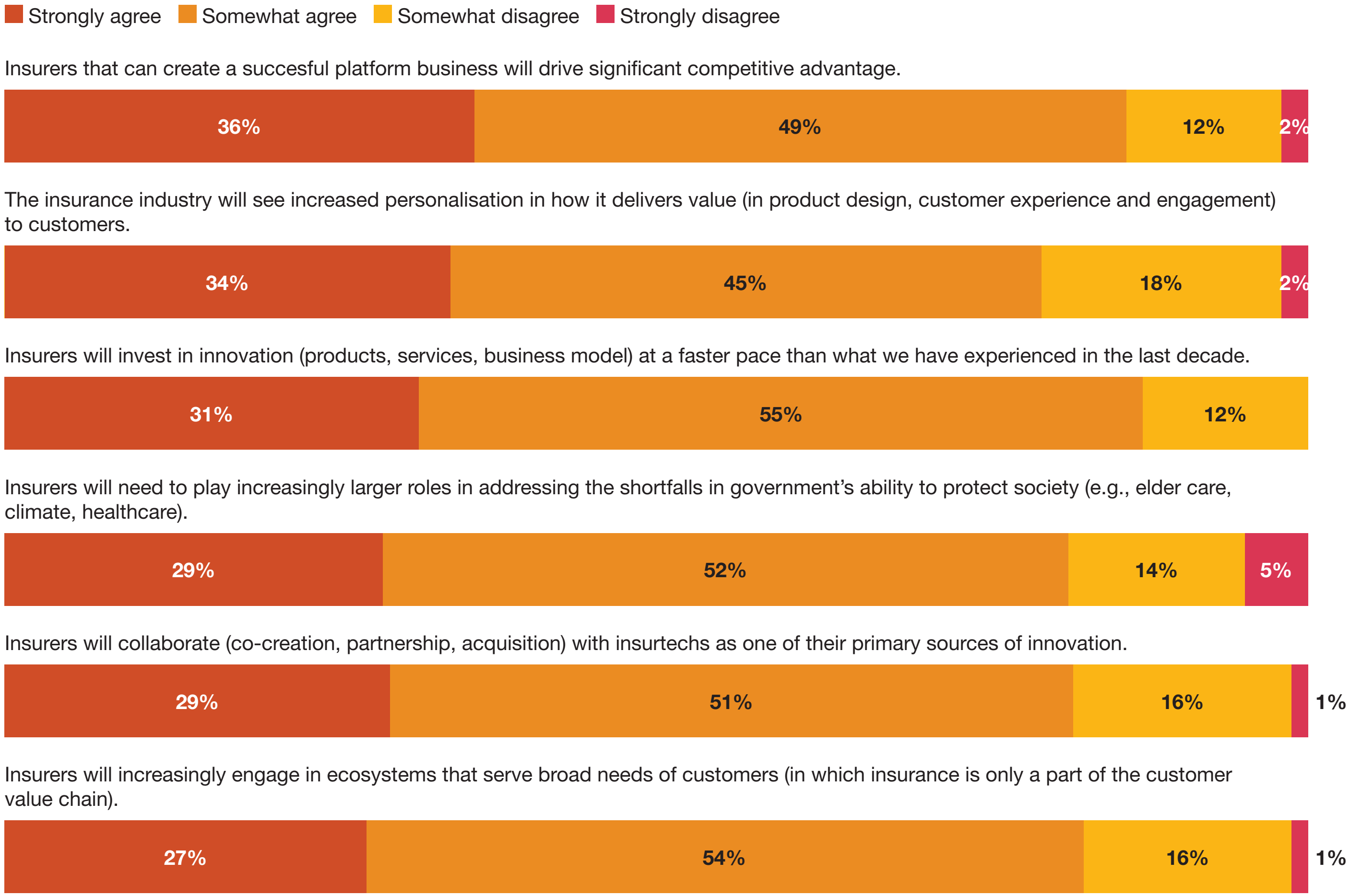
A PwC survey of financial services professionals reinforced the notion that collaboration across partnerships, acquisitions, and co-created tech, products, and services, with the goal of fostering a successful platform business, will lead to a significant competitive advantage for insurers (see Figure 5).

To connect with customers in a way that is relevant to them, insurers need to rethink their partnerships and collaborations to go beyond traditional industry and competitive boundaries, and engage in ecosystems in which insurance is only a part of the customer value chain. Successful business models will drive increased collaboration with traditional competitors, emerging insurtechs, big tech companies and adjacent industries

> "It's necessary to be conscious about your own capabilities and decide which you want to bring to the table yourself and where you want to partner up with strategic partners to enhance operational resilience across the insurance value chain.
>
> **Marleen Lemmens,** Chief Operating Officer, EMEA, Liberty Mutual Specialty Markets

Figure 5: Collaboration and innovation bring competitive advantage

Q: To what extent do you agree or disagree with the following statements…



Note: Sums may not total 100 due to rounding and a small subset of participants who responded, 'Don't know.'

Base: Insurance industry only (154).

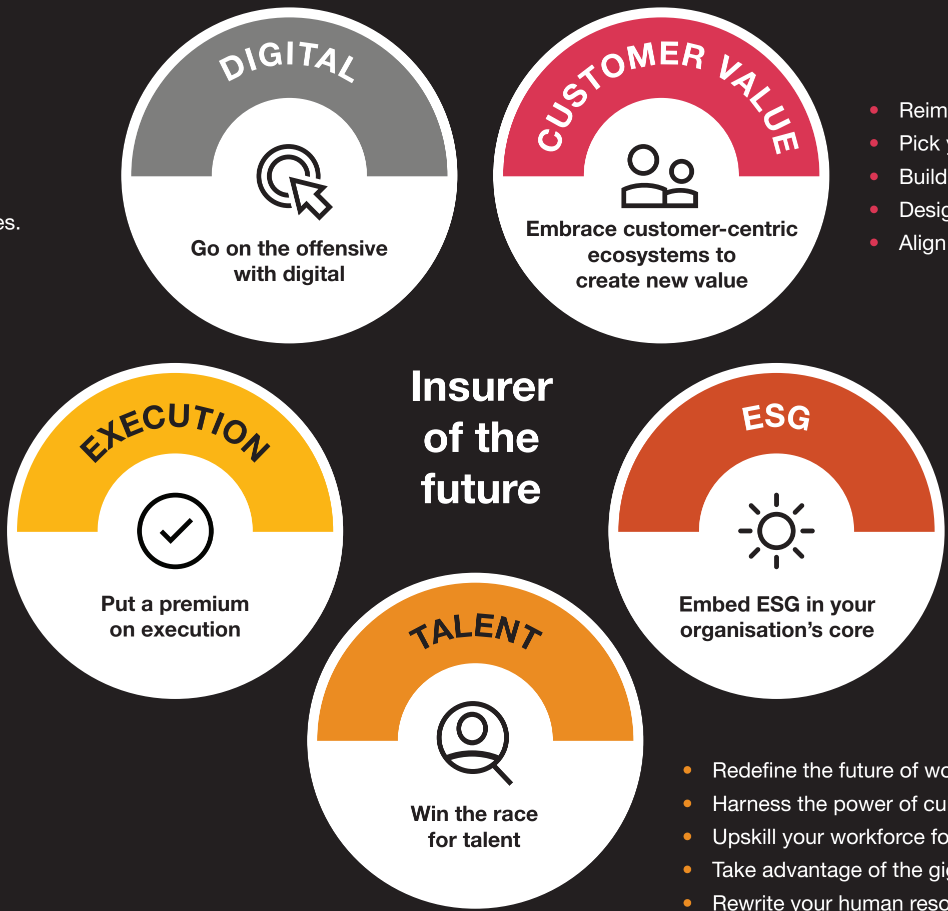
Source: PwC's Global Financial Services Survey

like manufacturing, retail and healthcare. There's also an expectation that insurers will need to play a larger role in making up for government shortfalls in climate change, elder care and healthcare. Collaboration will be crucial for the industry as it tries to solve for bigger systemic risks through public–private partnerships and build industry-level solutions.

This collaboration doesn't mean competition will be diminished. As evidenced by more than US$10bn of investment by venture capital funds in insurtechs in 2021, new entrants are constantly trying to disrupt the industry. To keep them at bay, incumbents are flexing their scale advantage and the strength of their balance sheets while entering into partnerships with insurtechs to reinvent themselves. We see the emerging ecosystem of incumbents, insurtechs and big tech companies as an encouraging and much-needed boost for the industry.

Adaptive ways to reimagine your business

Regardless of how insurers choose to address these trends, they need to envision the future and reimagine their place in the world. After successfully navigating the pandemic's first two years, now is the time to be bold and create an ambitious agenda. Though the scope of the change is broad and complex, we have defined five interconnected and mutually reinforcing strategic imperatives for all insurers to consider as they embark on their next phase of growth.



- Engage in digital ecosystems.
- Build unique customer intelligence.
- Build products and services to meet the demands of a digital world.
- Disrupt your distribution.
- Re-engineer the value chain as a set of digital services.
- Adopt a digital mindset.

- Reimagine customer value.
- Pick your spot and align capabilities.
- Build a network of trusted partners.
- Design for digital collaboration.
- Align the operating model for multi-nodal value creation.

- Build an outcome-oriented organisation.
- Build a strong change-management capability.
- Establish a transformation management organisation.
- Adopt an agile delivery model.

- Elevate the understanding of ESG in your organisation.
- Make social responsibility a core ethos of your purpose.
- Embed ESG in business strategy.
- Make ESG actions and results transparent.

- Redefine the future of work.
- Harness the power of culture.
- Upskill your workforce for the new world.
- Take advantage of the gig economy.
- Rewrite your human resources playbook.

Go on the offensive with digital

Insurers' digital investments need to go beyond digitisation and legacy modernisation efforts to create new offerings and build differentiating capabilities to fuel growth and innovation. A significant portion of insurers' current digital efforts is still focused on driving operational efficiency as opposed to creating new value for customers. Though foundational capabilities must be built right, insurers need to pivot to offense by leveraging digital investments for differentiating products, solutions, partnerships and engagement models.

Going on the offense will require building a digitally led, data-driven organisation that combines customer insights, offerings, capabilities, employees and culture in a way that is distinct and hard to replicate. To do so, insurers need to take a number of bold actions.

- **Engage in digital ecosystems.** Redesign the customer engagement model and value proposition by offering insurance as part of an interconnected experience delivered by participants in an ecosystem. An ecosystem-centric approach, which by definition involves a number of strategically aligned partners, presents insurance as a more contextual and solution-oriented offering and presents a fundamental shift in the way business is done. Given the strategic importance of ecosystems, we describe a number of key steps that insurers need to take to build or engage with them in our next imperative, 'Embrace customer-centric ecosystems to create new value.'
- **Build unique customer intelligence.** Collect deep, contextual and personalised insights about customers' behaviours, needs, wants, risks and relationships. Customer intelligence, which acts as the brain of an ecosystem, is created through a seamless sharing of data and insights across all ecosystem participants. It requires significant investments in upgrading skills and capabilities, along with a cultural shift to a data-driven organisation.
- **Build products and services to meet the demands of a digital world.** Create new personalised offerings by embracing innovations such as IOT devices, wearables and digital assets. Recent growth in offerings like small-amount, short-term insurance (SASTI) and usage-based or on-demand insurance provides a glimpse of the future. Pay close attention to how the world of digital assets and virtual environments (cryptocurrencies, NFTs and the metaverse) are evolving. From investment strategy to product design and customer experience, insurers need to have a proactive strategy for the next generation of digital.
- **Disrupt your distribution.** Go beyond digitising traditional channels to create digitally enabled distribution channels that fully tap into the power of digital tools and analytics for advice, sales engagement and relationship management. Challenge the traditional constructs and constraints of current models, and find alternative ways to reach target customers through cross-industry partnerships, insurtech alliances and affinity channels.
- **Re-engineer the value chain as a set of digital services.** Build cloud-forward, future-ready architecture, and take advantage of API-based, 'as-a-service' technology platforms that allow insurers to offer 'plug and play' access to their products and services. Install the modularity, agility and portability needed to integrate with third-party platforms, such as other insurers, distribution partners and insurtechs.
- **Adopt a digital mindset.** Nurture a culture that promotes curiosity, practices design thinking and co-creation, rewards risk taking and experimentation, makes data-driven decisions, fosters internal and external collaboration, and is agile. Invest in capabilities and culture that truly adopt a digital mindset.

> “We need to modernise our legacy systems and deepen connectivity with our partners. Extracting and enhancing client data should be at the centre of what we do, as our future success lies in thinking and acting like a digital company.
>
> **Darren Pigg,** Chief Transformation Officer, Sun Life Asia

Embrace customer-centric ecosystems to create new value

As described above, a customer-centric ecosystem is an interconnected set of offerings that allows customers to fulfil a variety of their needs through an integrated experience. Examples include auto insurance that is offered within a broader context of meeting customers' mobility needs, and life insurance positioned to help achieve healthy living and financial wellness.

As insurers face an imperative to offer value beyond protection, they need to move faster to a customer-centric risk management model. This entails embedding risk prediction, prevention, intervention, and transfer in the customer journey and making insurance more relevant in customers' work and lives. Ecosystems are at the core of this strategic shift, and already promise significant growth potential.

Rethinking the value that insurers are able to offer is complex and requires capabilities and considerations that are new to most insurers. Here are some of the critical steps that insurers need to take.

- **Reimagine customer value.** Reimagine how value is created and delivered to customers who are demanding that insurance be much simpler, more relevant, personalised and accessible. An ecosystem-centric approach allows insurers to provide seamless experiences through an interconnected set of offerings in a journey that is orchestrated either by an insurer or distributor, or as embedded insurance by a non-insurance entity. Design products, services and engagement models in collaboration with ecosystem partners to maximise value through the network effect of the ecosystem.
- **Pick your spot and align capabilities.** Be clear about which ecosystems you want to engage in, what roles you want to play, and where and how in the customer journey you want to engage. Invest in capabilities like offer development, customer analytics, partnership management and customer engagement management that are necessary for mutual success.
- **Build a network of trusted partners.** Identify and engage with partners that not only bring the complementary capabilities needed to orchestrate an ecosystem but also are aligned in purpose and strategy. These partnerships need to generate the network effect of value for all participants beyond traditional commercial relationships. For ecosystems to be successful, insurers need to invest in understanding and managing those elements that are win-win for all parties and build trust in the system.
- **Design for digital collaboration.** Build cloud-native API- or microservices-based architecture to achieve the agility and flexibility needed to engage in a multiparty ecosystem. Careful planning will be required to build the new model, manage the old one and migrate the legacy. The underlying changes and implications of this transition on employees and legacy technology are significant for most insurers.
- **Align the operating model for multi-nodal value creation.** Understand the interplay of capabilities that you're contributing, receiving from other participants and delivering jointly. Adapt your capabilities and operating model to enable multiparty value exchange, beyond traditional partnerships and alliances, without needing to own or manage all aspects of the model. Establish proper management and governance of the ecosystem without compromising operational agility and speed.

> Healthcare is likely to become even more personalised as focus grows on health prevention and behavioural interventions. This will require the integration of clinical data, advice tools, personal health metric tracking, incentives, and health and wellness delivery to extend lifespans and achieve better outcomes in health spans—the time one spends in good health.
>
> **Hylton Kallner,** CEO, Discovery Bank

Embed ESG in your organisation's core

As stakeholders demand more action, authenticity and accountability from financial institutions, insurers have a long way to go to establish their ESG credentials and make them a part of their purpose. To embed ESG deeply into the culture and values of the organisation and communicate that priority successfully to customers, insurers must demonstrate how ESG has a tangible impact for clients and helps accelerate positive outcomes for wider society.

- **Elevate the understanding of ESG in your organisation.** Engage your extended leadership and middle management to cultivate a consensus around the company's ESG priorities, and demonstrate how the workforce can contribute to a sustainable future, both individually and collectively.
- **Make social responsibility a core ethos of your purpose.** Be authentic about your social purpose. Take a clear stance on key issues, which can include human rights, labour issues, diversity and equality, supply chain sustainability, and responsible use of digital and AI. As these issues are getting increasingly complex, be transparent and consistent about your actions, and anchor them in core values. Get employees and other stakeholders (suppliers, partners, distributors) engaged, and invest in the public–private partnerships needed to solve the most complex issues.
- **Embed ESG in business strategy.** Integrate ESG strategy into your core capabilities. Adjust functional strategies so that key capabilities are ESG-enabled (e.g., investment process, product innovation, operations and workforce management), taking a portfolio approach with integrated accountability and metrics.
- **Make ESG actions and results transparent.** Publicly communicate ESG aspirations, with clear short-term and long-term commitments. To measure success and progress on ESG, key actions and metrics should be transparent to stakeholders.

> “A bolder ESG vision entails having bigger goals and commitments, long-term action that will be reported on a regular basis over time that helps demonstrate companies' commitment to real, lasting change.
>
> **Jon Richter,**
> Chief Sustainability Officer,
> MetLife

Making ESG part of your core values

A German multinational insurance giant has exemplified this pursuit of accountability by committing to 'insert ESG into its DNA,' and by investing more than US$4.6bn in the renewable energy sector, demonstrating the industry leadership of insurers on ESG. It's critical not to miss one of the most important attributes of any successful financial institution in the future: integrating ESG strategy into core capabilities such as investment processes, product innovation, underwriting and workforce management.

Retaining talent: Competitive benefits

To strengthen its culture and retain top talent, a leading UK insurance company began giving employees paid leave when both their children and grandchildren were born, signalling the importance of older generations to their workforce through a more competitive benefits policy.

Win the race for talent

After the pandemic subsides, insurers will need to reimagine their future work and workforce as the wider society navigates changing employee priorities and technology advancements. High demand and short supply of qualified actuaries, underwriters and agents combined with disruptions driven by digital adoption make the talent crisis even more pronounced for insurers. Finding creative solutions through flexibility, mobility and upskilling are some of the options that insurers need to explore.

Another area that insurers need to manage is their organisational culture. Eighty-one percent of respondents in PwC's Global Culture Survey strongly agreed that culture is a source of competitive advantage. With social, environmental and customer-centric goals at their core, insurers can unlock growth, productivity and employee engagement by aligning culture to the purpose of the organisation.

Winning the race for talent will require a number of near-term and long-term actions.

- **Redefine the future of work.** Reimagine how key roles like distribution, product development, actuarial, underwriting and claims handling would work in the future, given the increasing adoption of digital and AI, ecosystem-centric business models and a shift towards agile. Insurers need to fundamentally redefine roles, teams, structures, and performance metrics to remain competitive and attract high-quality talent.

> Winning the race for talent starts with having a culture and a purpose that are attractive. Otherwise, you are bound to be disappointed when it comes to retention. You need to have an appealing mission and a culture that is recognised as a strength. This is what will enable you to both attract and retain the best talent.
>
> **Mike Smith,**
> Vice Chairman and Chief Financial Officer, Voya

- **Harness the power of culture.** Create a distinctive culture that deliberately connects organisational purpose to the desired cultural norms and values. By clearly aligning strategic goals with cultural priorities, insurers can generate a performance premium.
- **Upskill your workforce for the new world.** Shepherd the entire organisation along the digital journey. From your board to the frontline staff, everyone needs to have the appropriate level of familiarity and working knowledge of core digital building blocks like cloud, cybersecurity, agile, and AI.
- **Take advantage of the gig economy.** Rethink the recruiting process and sources of talent. Explore alternative sourcing models for finding talent, as finance professionals, actuaries, underwriters and claims handlers increasingly seek independent work with flexibility.
- **Rewrite your human resources playbook.** Embrace workplace and workforce dynamics of the new world, and redefine employee value propositions focusing on growth, flexibility, diversity, and purpose. Align performance management, talent development, progression and compensation to meet the needs of a new generation of employees.

Put a premium on execution

The fast-paced changes affecting the insurance industry are separating the winners from the rest. After strategic rethinking and replanning, what matters next is the ability to execute quickly and drive change at scale. Building transformation and change management as core competencies should be a top priority for senior management. Organisations with a superior track record of execution demonstrate a set of common attributes.

- **Build an outcome-oriented organisation.** Take a lesson from successful private equity (PE) firms, and build an outcome-oriented organisation in order to avoid the aspiration–execution gap. PE firms prioritise big bets and demand high returns but also put limited restrictions on the resources and investments available to realise those returns. They leverage a talented workforce to get the job done, challenge the accepted norms and barriers, and manage performance with transparent metrics.

- **Build a strong change-management capability.** Establish strong leadership at the top with a clear vision and ability to lead the organisation through the change. Ensure sustainable change by devolving leadership into the ranks, especially into middle management, which is often key to unlocking change. Outcome-orientated organisations view change management as a critical enterprise capability that not only enables transformation but also embeds new approaches to the culture of the organisation.

- **Establish a transformation management organisation (TMO).** Given the scope and complexity of the changes involved, often a TMO led by a senior executive can help bring the right focus, governance and change-management disciplines needed to ensure ongoing strategic alignment and increase confidence in realising desired outcomes.

- **Adopt an agile delivery model.** Ensure enterprise-wide adoption of key agile objectives—speed and outcome—to compete in dynamic environments where customer obsession, cross-functional teaming and continuous improvement are some of the core ingredients for success. Organising for agile will not be easy, because it's not the norm for most—but without it, insurers risk execution missteps and delays leading to missed expectations and dissatisfied stakeholders.

As expectations evolve and the industry transforms, insurers will need to choose their own path as they contribute to a bold new vision for the industry. Regardless of the path they choose, insurers that anchor their strategy around their social purpose, transform their business model to meet emerging customer needs and develop an agile, tech-powered organisation will create distinct competitive advantages.

With a spotlight on purpose, trust and transformation, the evolution of the industry in the coming years will be significant for all the players in the insurance industry.

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