

Insurance Outlook 2024

Navigating the Future of Insurance: 2024 and Beyond

In the vast sea of transformation, the insurance industry finds itself at the confluence of technology, socio-economic shifts, and heightened customer expectations. Rapidly evolving trends such as Generative AI, economic shifts, evolving customer experiences and advanced underwriting tools are reshaping the contours of the insurance industry.

As we stand on the threshold of 2024 to try and understand the implications, this blog will shed light on the insurance landscape, revealing key drivers, top impactful trends, and predictions that can help critical decision-makers chart their course for 2024 and beyond.

Market Trends in the Evolving Insurance Landscape

Several trends continue to impact the insurance space. In some, we see an upsurge, while some are in decline. Mergers and acquisitions (M&A) have slowed since Q2 2022, primarily due to macroeconomic challenges. Yet, with the increase in interest rates and ease in inflation, we might witness a resurgence in deal-making as we progress through 2024.

For underwriting losses, Q1 2023 showed concerning trends. The U.S. industry reported a consolidated net underwriting loss of **\$7.34 billion**, marking its highest over a decade and setting a new Q1 record low.¹ The anticipated growth in U.S. catastrophe reinsurance demand is forecasted to increase by up to **15% by 2024**, leading to further price hikes.

The L&A (Life and Annuity) sector's premium growth indicators for 2023-2024 suggest a potential split between developed and emerging markets. With inflation affecting discretionary spending, individual life insurance sales in regions like the U.S. and Europe could face challenges.²

The 2023-24 growth forecast for life insurance is different for advanced and emerging markets

Global life insurance premium growth rates in real terms

	2023 F	2024 F
World	0.7%	1.5%
North America	-0.2%	-1.3%
Advanced Europe, Middle East, and Africa	-0.8%	1.2%
Advanced Asia	-0.1%	1.6%
Emerging Asia (Excluding China)	6.9%	6.7%
China	4.0%	4.7%

Source: Swiss Re Institute, “Sigma: World insurance: Stirred, and not shaken,” July 10, 2023

Key Drivers



Generative AI

Generative AI is revolutionizing risk assessment and mitigation strategies within the insurance realm. In a digital age fraught with cyber threats and increasing uninsured demographics, proactive risk management goes beyond traditional paradigms. Generative AI, armed with predictive analytics³ and sophisticated algorithms, empowers insurers to pre-emptively identify, assess, and mitigate risks before it's too late.

According to the EY CEO Outlook Pulse global survey, **58%** said AI is beneficial, and **52%** of CEOs are planning to invest significantly in AI in 2024.

Regarding consumers, **60%** said they were optimistic about using AI for routine/repetitive tasks and data analysis. In comparison, more than **60%** felt comfortable when AI was used for community safety and workplace efficiencies.



Economic Factors

While post-pandemic losses in insurance have diminished, potential risks remain. Insurance firms are expected to strike a balance between seizing opportunities and mitigating potential losses. The inflation rate is still a pressing issue. According to a WTW poll⁴, **25%** of respondents ranked inflation and interest rate volatility as the most significant challenge to securing revenue growth in 2024, and **24%** said attracting and retaining talent could be challenging.

Reducing claims costs is also on the agenda of insurers in 2024. The insurance companies are aiming to get more premiums on hand while trying to minimise claims costs on the other. So, central to this strategy is effective claims management, beginning with thorough claim inspections and encompassing factors like streamlined claims handling processes.



Environmental Factors

The insurance industry faces increasing challenges due to the impact of climate change, necessitating the development of policies adapted to evolving environmental and weather patterns. Escalating wildfire intensity, unprecedented temperature records, & more frequent windstorms underscore the urgency for meaningful discussions between insurers & regulators. Regulators advocate for underwriting practices that acknowledge the surge in extreme weather events.

However, some insurers exhibit hesitancy, expressing concerns about potential financial losses associated with policies in climate-risk-prone regions. As the insurance sector diligently evaluates the repercussions of climate change on policy underwriting, compliance leaders must proactively anticipate forthcoming state and federal obligations. Implementing necessary requirements ahead of regulatory deadlines becomes imperative for ensuring alignment with evolving industry standards.



Customer Expectation

Consumer expectations have changed, and those expectations are set relatively higher in the insurance space compared to other industries. Insurers, in response, are tasked with reimagining their products, drawing inspiration from data, analytics, & technology capabilities. This transformation is mirrored in the growing prevalence of parametric approaches, where claims are initiated based on data, eliminating the need for consumers to actively file claims.

Looking ahead to 2024 and beyond, there is an anticipation of a surge in such propositions, further blurring the distinctions between wellness, prevention, and services. This marks a departure from the conventional insurance model, which traditionally commits to settling claims only when an adverse event occurs.



Regulatory Pressure

Navigating the future of regulatory compliance in the insurance sector demands leaders to strike a delicate balance between seizing opportunities and meeting obligations. With the increasing integration of AI to enhance value in the industry, risk managers must navigate the fine line between reaping rewards and aligning with regulatory expectations. For instance, Colorado's regulatory framework, slated to be fully operational in 2024, is aimed at preventing bias and discrimination in AI models.

Regulators within the insurance realm are actively exploring and implementing fresh compliance frameworks specifically tailored to ensure insurer solvency and safeguard consumer interests. To capitalize on future opportunities, insurance organizations must proactively anticipate solvency requirements, positioning themselves strategically in the evolving regulatory landscape.

Key Initiatives Reshaping Insurance Landscape in 2024

Improved Underwriting

Since underwriting is the balancing act, ensuring the right protection is offered with proper inclusions, exclusions, and pricing to benefit the insured and the insurer is the key objective. So, streamlining and upgrading their underwriting capabilities would be one of the top trends 2024. With the Generative AI technology growing faster than we could fathom, insurance companies are increasingly deploying AI into their underwriting fold.

For example, SLK offers one of the most advanced AI-enabled tools, Underwriting Companion. It solves the most pressing challenges to optimize operational efficiency and underwriting decisions while mitigating losses, risks, and errors. Some of the key benefits it offers are:

- Automates data extraction and processing
- Guideline Interpretation at a Submission level
- Customized Risk Assessment
- Real-time insights for underwriters and compliance Monitoring
- Detects compliance risks
- Document Insights
- Loss Run Analysis
- Decision Support
- Adapts to market conditions

**Learn more about
SLK's underwriting
companion [here](#)⁵.**

Reduce Claims Adjustment Expenses

Insurers are using generative AI's to ensure profitable, faster, and consistent Claims settlement. They are leveraging GenAI's ability to process huge volumes of data, comprehend claims settlement guidelines, ensure the decisions comply with the regulations and recommend the right amount of payout.

Managing and Reducing Litigation Costs

As litigation costs rise, companies proactively seek ways to foresee and address potential legal challenges before it's too late. Given the substantial financial implications of litigation, businesses are increasingly turning to AI-driven tools. These advanced technologies efficiently analyze vast arrays of legal documents, pinpoint emerging patterns, derive actionable insights, and empower organizations to address legal issues proactively.

Personalized Customer Service & Communication

ChatBot's are being used to precisely respond to customer queries related product offerings product features, recommend right product/ coverage, quote/issue policies, answer claim related queries and register complaints.

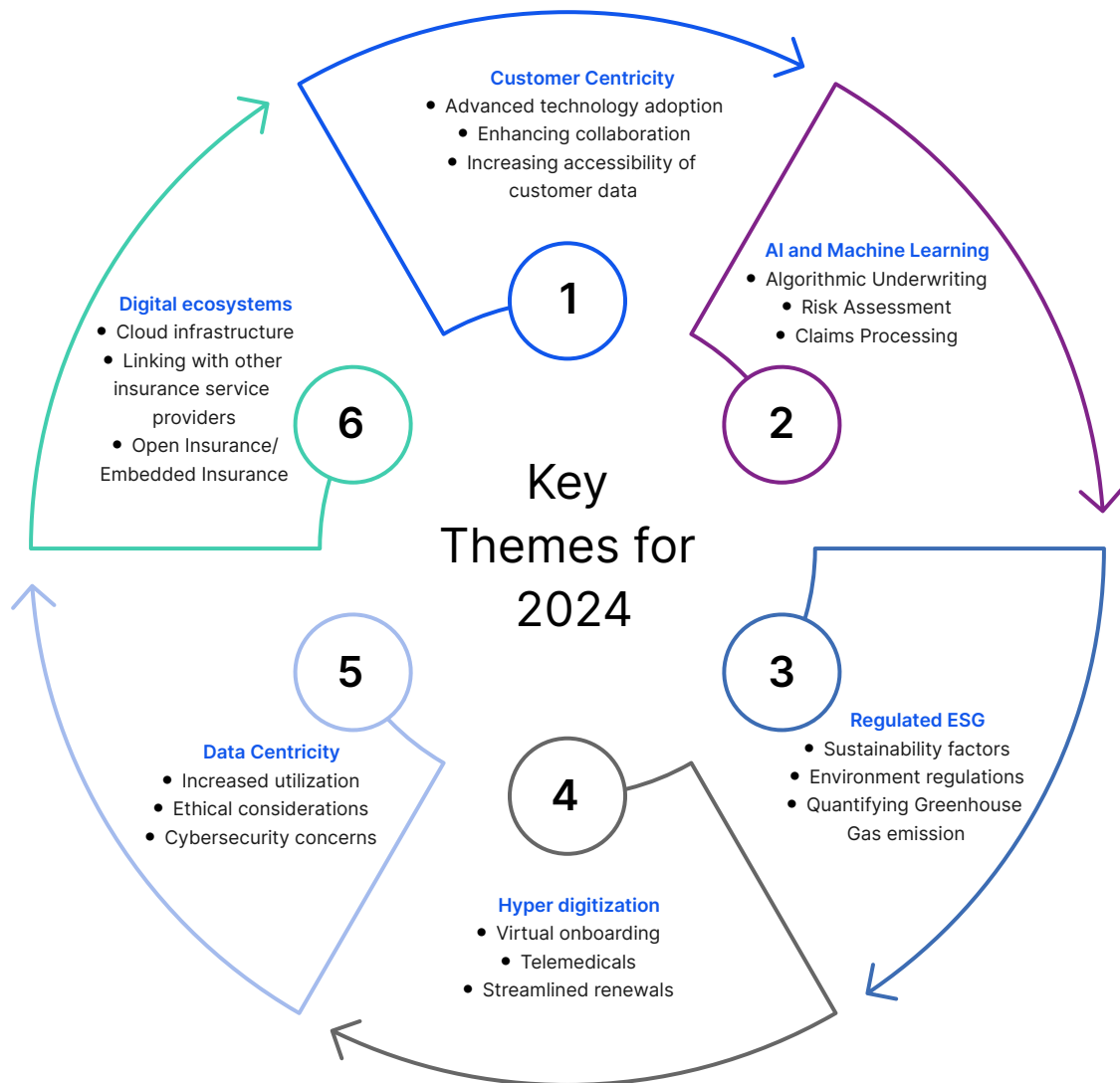
Faster Rate Revision & Filing

Ensuring timely rate adjustments is crucial. Companies invest significant resources to navigate the intricate process of submitting rate adjustment requests to state-specific regulatory bodies across the US. Given the diverse regulatory landscape across states, preparing comprehensive documentation backed by robust data for each state can be daunting. With the help of AI and automation, you can simplify and expedite the process and ensure accuracy. As a result, automation is poised to play a pivotal role in this domain.

Embedded Insurance & the Phygital Culture

The future is not merely digital; it's 'phygital', which is nothing but a mix of physical and digital realms. As per DataHorizon research, the embedded insurance market is poised to grow to **USD 482.8 billion by 2032**. This synergy of physical and digital realms will become common in the coming years, and this fusion is expected to help create immersive customer journeys, amplify engagements and increase customer loyalty.

Key Themes for 2024



Summing Up

2024 heralds a transformative phase for the insurance industry—a confluence of innovation, resilience, and customer-centricity. As insurers navigate this dynamic landscape, embracing technology-driven solutions and fostering agility will be pivotal. The horizon is promising, beckoning insurers to harness the winds of change and chart a course towards unparalleled success.

About the Author



Dr Jagadish Kundu 

Insurance Practice leader at SLK Software

Jagadish, has 30+ years of experience in the IT industry, predominantly in serving Insurance customers across the globe. His current interests include digital transformation and application of AI/GenAI technology in the Insurance industry.

References

- 1 <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-p-c-industry-posts-largest-on-record-q1-statutory-underwriting-loss-75828932>
- 2 <https://www.swissre.com/institute/research/sigma-research/sigma-2023-03.html>
- 3 <https://www.slksoftware.com/services/analytics-insights/>
- 4 <https://www.wtwco.com/en-gb/news/2023/11/insurers-predict-interest-rates-bridging-the-talent-gap-and-digital-transformation>
- 5 <https://www.slksoftware.com/wp-content/uploads/2023/10/Accelerate-Underwriting-with-Uncompromised-Accuracy-and-Speed-of-AI.pdf>

