Insurance Revenue Landscape 2025:

Innovate for resilience

accenture

Despite a year of recessionary conditions and upended risk models, our analyses show the global insurance market is headed toward significant growth over the next 5 years. Amid that growth we see new and shifting revenue pools. Insurers will need to innovate for competitive advantage in this new revenue landscape while building resilience into their business and product portfolios.

The 5-year insurance outlook

As insurers seek answers to questions about competing in this changed market, there are signs the gloomy story of 2020 will brighten. The world is slowly emerging from the pandemic, and in the process the industry is proving its resilience (Figure 1).

Figure 1. Insurance industry valuations have rebounded since the start of the pandemic

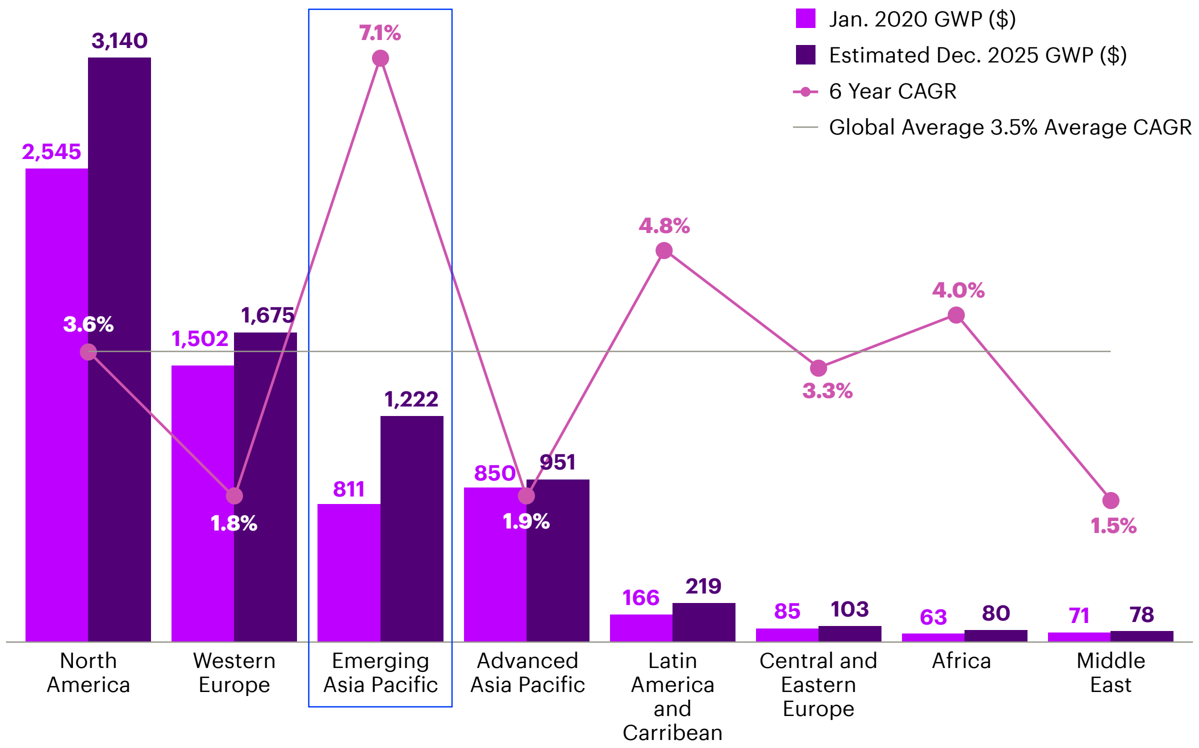
Sources: Accenture Research based on analysis of global publicly listed insurers (CapitalIQ), last date item as of March 3, 2021.

The insurance industry can expect to grow from $6.1 trillion in gross written premium (GWP) at the start of 2020 to $7.5 trillion by the end of 2025.[1] This includes a US-centric $800 billion in healthcare payer premiums. Managed healthcare plans have not traditionally been counted as part of the insurance sector but are now material due to blurring boundaries driven by global demand for digital health products and services. While we expect an overall six-year compound annual growth rate (CAGR) of 3.5%, emerging markets in Asia Pacific—most notably China (mainland)—are driving up the global average (Figure 2).

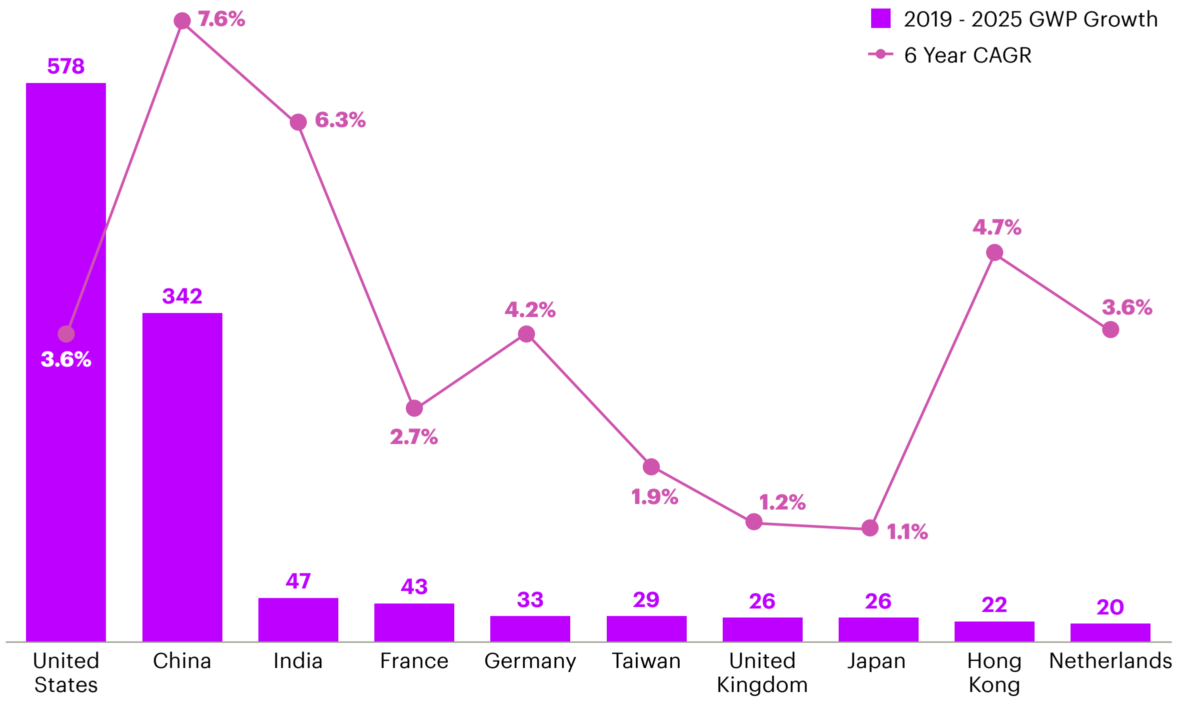
Insurance industry activity is historically tied to GDP with increasing asset ownership or asset usage driving greater demand for insurance coverage. Our projection of $1.4 trillion in global industry growth is consistent with forecasted increases in global GDP.[2] It is also consistent with China's current outsized GDP growth.[3] While this is good news for the industry overall, growth is not linear, and won't follow the same proportions we see in today's current revenue pools. Gaining ground against existing and new competitors will require innovation and scenario planning.

Figure 2. We expect global industry growth through 2025

Emerging Asia Pacific markets—most notably China (mainland)—are likely to see the largest increases.



The US and China (mainland) are expected to account for 67% of absolute growth in the global insurance industry.



Sources: Accenture Research model based on data from Global Data and Swiss Re

How innovation offers competitive advantage

We expect $1.2 trillion of the $1.4 trillion in expected growth to come in existing products, which may give the false impression that staying the course is a viable plan. But insurers can no longer rely on the familiar products, channels, and historic retention rates to drive profitability long-term. Rising costs, volatile markets, and increasing consumer demand for digital services show no sign of abating.

Almost half a trillion dollars ($480 billion) of the $7.5 trillion in GWP expected in five years, or approximately 7%, would be heavily impacted by innovation.

We anticipate:

$200 billion
from new risks, product offerings, and services

$140 billion
in existing revenues impacted by product innovation

$140 billion
in shifting placement channels

Innovate for growth

Of the $1.4 trillion in expected industry growth over the next five years, approximately 15% ($200 billion) would come from new risks, products, and services. This would include new product innovation ($160 billion) and the monetization of value-added services ($40 billion).

To compete for this $200 billion in revenue, insurers need to innovate in:

New products

such as technology-enabled health and wellness, auto, and home products

Services

such as financial advisory services aligned to life and health

New revenue steams

such as data monetization

The trend toward innovation-led revenue growth comes as no surprise. In our report Future-ready insurance systems, published a year ago, we projected that insurers assessed as innovation Leaders would see greater revenues. According to the report, "Based on a notional $10 billion in revenues for a given insurance Leader and Laggard counterpart in 2015, a 37% revenue gap is expected in 2023."

Innovate for retention

Insurers cannot rely on historic retention rates to hold. While retention rates hover around 85% for most insurers, we are already seeing signs that personal lines retention rates may be slipping.[4] According to our most recent Insurance consumer study, 20% of consumers in China (mainland) say they intend to switch insurers in the next 12 months. If that stated intent becomes reality, it will have significant impact on the market with the largest expected CAGR increase and the second-largest increase in absolute growth.

We anticipate almost 5% of global premiums—approximately $280 billion—to be impacted by innovations in products ($140 billion) and shifts towards digital third-party platforms ($140 billion). With this kind of shift, insurers could see retention rates drop if they neglect to defend existing revenues through product and distribution innovation. Our report, Where's the Payback on Digital Innovation in Insurance, has shown this to be a wise investment for insurers. Carriers in North America and Growth Markets that have seen the best financial performance also had an outsized number of customer experience- and distribution-focused innovations.

Competing for the innovation-dependent 7% of $7.5 trillion in future revenues is a worthwhile effort. And carriers who compete to win will recognize that the smallest advantages can make or break a strategy.

Trends influencing insurance revenues

To understand how the insurance revenue landscape is shifting, we analyzed both customer demands and how insurers are responding from the supply side. We also considered the impacts of more than 70 trends and the dynamics of global revenue pools (Figure 3).

Figure 3. Our methodology examined the intersections of insurance industry activity and broader shifts in global markets

Supply-side model

Quantitiative model based on supply-side analysis across 5 insurer themes impacting growth and retention

Direct digital

- Direct life
- Direct small business

Alternative platforms

- Insurtech
- Social/technology platforms
- Original equipment manufactures (OEMs)

Demand-side model

Quantitiative model based on demand-side analysis across 14 customer themes impacting growth and retention

Smart economy

- Smart auto
- Smart health
- Smart home
- Smart buildings
- Smart manufacturing
- Small ticket

Sharing economy

- Freelancer economy
- Auto sharing
- Home sharing

Emerging risks

- Aging population
- Climate
- Cyber
- Crisis management
- Autonomous vehicles

Trend scenario analysis

70+ trends across 16 clusters within 5 categories

- Social/cultural/demographics
- Technological
- Economic
- Political/regulatory
- Environmental

Global revenue pools

Predictive sizing model of 10 product types across 161 countries within 8 regions

Based on our analyses, we anticipate the industry will coalesce around four areas of innovation, each offering similar revenue opportunity for insurers.

Health/wellness and life products and services:

$120 billion
in revenue

Sharing economy, climate change, and cyber threats:

$115 billion
in revenue

Technology integration within traditional products:

$120 billion
in revenue

Shift to alternative distribution:

$125 billion
in shifting premium

Health/wellness and life products and services

Demographics constantly shift but right now, two segments stand out as potential opportunities for insurers.

Aging populations

By 2050, one in four persons living in Europe and Northern America could be aged 65 or over.[5] In 2018, for the first time in history, persons aged 65 or older outnumbered children under five years of age globally.[6] With improvements in science, medicine and health habits, this generation is living longer also. The number of persons aged 80 years or over is projected to triple, from 143 million in 2019 to 426 million in 2050.[7]

Innovative new products and services, as part of a partner ecosystem, could help insurers better serve seniors, grow revenues, and delay the need for life, disability, and longer-term care claims. For example, each year about $50 billion is spent on medical costs related to non-fatal fall injuries and $754 million is spent related to fatal falls.[8] One innovation that may prevent such losses is Startup Hip'Safe, which offers seniors a belt with hidden airbags. The device is designed to detect that the person is falling and quickly inflate to help prevent serious injury.

$120B
in revenues

The breakdown

Smart health products: $60B

Products and services for aging populations: $30B

Direct life and wealth management products: $30B

Underlying trends

Consumer demand for digital services

Population demographic shifts

Innovation will go beyond better preventive measures, though. Despite their importance, those entering their golden years are underserved in terms of innovative insurance products that address their care management and financial security concerns, as more live longer than ever. The relative decline of the working population versus the annuity population means insurers should seek out technology-enabled support services and pay-as-you-live products.

As we live longer and better than ever, consumer mindset across demographic segments is shifting. Consumers increasingly say they want products that help them build and maintain healthy habits, improving not just length of life but quality of life.[9]

Insurers are taking notice and proactively helping customers prevent the onset of cognitive decline and delay the need for disability and long-term care claims. For example, Neurotrack has partnered with Hannover Re US to offer a cognitive health program to life insurance policyholders.[10] Neurotrack has similar partnerships with Japanese life insurers SOMPO Himawari Life and Dai-ichi Life, which offer a digital cognitive assessment to policyholders as part of their new dementia insurance offering.[11]

Millennials

Millennials are a group readymade for insurers to incorporate innovative technology into insurance products because they are a digitally native demographic. Despite an overall decline in trust, we see consumers increasingly willing to share personal data when their insurers offer something of value in return.

These kinds of offers are especially appealing to Millennial and younger consumers. Rewards for data sharing could come in the form of reduced premium or perks and discounts on non-insurance products and services. They could also come in the form of real-time health and wellness guidance based on user attribute or behavior data.

With such willingness to share personal information, insurers can narrow risk pools more accurately than previously possible. And they can maximize the lifetime value of their Millennial consumers with offers that defy the traditional indemnity model. Millennials and younger consumers are especially interested in insurance offers that steer them in the direction of safety, sustainability, and holistic physical and financial well-being.

Sharing economy, climate change, and cyber threats

While many emerging risks will impact insurance revenues, we see three as particularly relevant now: climate change, the sharing economy, and increasing cyber threats.

Climate change

The growing volatility of environmental catastrophes and damage linked to climate change is a complex risk to insure. The destabilization of climate and historically reliable P&C risk models, though, is forcing insurers to address its complexity.

Technology can help shape and improve that response with more sophisticated risk modelling, enabled by digital technology such as Artificial Intelligence (AI) and analytics. Insurers can improve pre- and post-incident handling around climate-related disasters.

As more enterprises in the energy sector focus on renewable energy, insurers are creating products and services to support those players. Collaboration between insurers and reinsurers will also help cover new risks from climate, especially in emerging markets where there is currently a massive gap in coverage.

$115B
in revenues

The breakdown

Climate change: $50B

Sharing economy: $40B

Cyber threats: $25B

Underlying trends

Catastrophic storms and fires

Regulation

Tech and software infrastructure & advancements

Evolving consumer culture

Remote work

Innovative insurers will expand beyond simple identity-theft coverage into more holistic prevention, mitigation, and restoration offers in cyber for personal lines.

Sharing economy

Moments of experience are preferable to asset ownership for younger demographics. And many who do own assets are now monetizing their homes and cars through formalized sharing arrangements. The premium reductions from fewer owned assets can be offset by increased revenues from increased asset usage in a growing sharing economy.

Traditional insurance companies are making strides in this area. Multiple carriers offer products adapted for personal property exposed to sharing economy risks such as short-term home rental coverage.[12]

The gig economy is also eroding traditional boundaries between small business and personal risk. As more of the workforce moves to freelance full- or part-time, homes and personal vehicles are getting more business use. Allianz partnered with insurtech Dinghy to provide coverage for professional indemnity, public liability, and business equipment for freelancers.[13]

Cyber threats

As work and personal lives intersect—many times on shared devices—cyber insurance becomes key for individuals and businesses. The trend toward remote work, necessary for physical distancing during the pandemic, is now popular with those who have the option. Of those who can work from home, 56% expect to do so more frequently in the long-term.[14]

Increasing remote work has put the security of consumers' personal data and digital assets such as photos at greater risk. Innovative insurers will expand beyond simple identity-theft coverage into more holistic prevention, mitigation, and restoration offers in cyber for personal lines.

Large organizations—particularly manufacturers, energy, and transportation companies—that are delving deeper into IoT will have a heightened need for insurance against malware through device breaches.

The insurance opportunities around cyber threats are not just around cyber insurance itself, but pre- and post-incident advisory servicing. We see this as an area where the massive disruption in the value chain will continue, with insurers, reinsurers and brokers delving heavily into advisory and risk management solutions.

Technology integration within traditional products

From auto, to home, to health, technology is changing not only the way insurers do business but also the very products and services they offer. Wearables and Internet of Things (IoT) sensors are creating new ways to track, price and promote health, home safety and security and auto insurance solutions. Technology allows for increased personalization of products, services and rates, but insurers need to be prepared to operate on the right platforms and with the right partners to enable that personalization.

Data integration is key to the analytics that make insurance innovation in these areas possible.

In short, coverage will continue to become more customized to actual risk as insurers learn more about the way consumers live, drive, and take care of themselves and their homes.

$120B in revenues

The breakdown

Smart auto: $60B

Smart home: $40B

Smart manufacturing & building: $20B

Underlying trends

- Increasingly digital consumers
- Tech infrastructure modernization
- Software engineering proliferation

Shift to alternative distribution

Insurers who innovate position themselves to better retain existing customers and premium. As tech-centric players new to the industry begin to offer insurance products, they insert themselves into the insurance value chain and may siphon revenue from incumbent insurers.

Tesla, for example, provides behavior-based auto insurance coverage to Tesla owners in California through their in-vehicle platform.[15] Offerings like these are just beginning to disrupt the insurance industry, but we expect their rapid proliferation.

The race to own in-vehicle commerce is still on. Whether the OEM retains ownership of the platform or outsources to a tech player, vehicles still need to be insured. If insurers show themselves to be easy platform partners, they are more likely to retain existing customers and attract new ones with usage- and behavior-based offers. They also have an avenue to additional sales opportunities, vehicle-to-home integrations, and data monetization.

We see similar opportunities for partnerships between digital wellness platforms and insurers. Digital health coaches offer real-time advice based on biomarker monitoring for healthier habits. Policyholders receive timely medical interventions through early symptom identification. Partnering with companies that specialize in behavioral data and analytics offers insurers opportunity to tailor the personalized offers consumers are demanding.

$125B in shifting premium

The breakdown

OEMs & tech providers:	Direct small business products:	eCommerce & social platforms:	Insurtech:	Small ticket providers:
$50B	$30B	$20B	$15B	$10B

Underlying trends

- Declining barriers to entry
- Increasingly digital consumers
- Software engineering proliferation
- Tech infrastructure modernization

Prepare for resilience in a shifting landscape

With traditional revenues slowly being replaced by innovation-led revenues that reflect the changing demands of our changing world, insurers need to move now to shift their business. The "future" of revenues will become the present faster than most would expect.

Research shows the way to outperform competitors through a recession is to reduce structural costs and invest savings in areas of competitive advantage[16] Begin with the areas of innovation in which you have a head start based on your current book of business and market positioning.

When looking at global trends in innovation, it's easy to overlook local market impacts. While the 4 innovation areas outlined here are globally relevant, geographic variations will call for varying carrier responses. Geographic and regulatory variances in climate change, for instance, make Europe rife with opportunity in this area.

Make scenario-based plans that build resilience into your strategy. For example, auto insurers would need to be prepared in the event trends like IoT and sharing economy scale faster than expected.

We're helping insurers who want to test various future scenarios to better plan. Our Strategic Resilience modeling tool, designed specifically for insurers, can help pressure test and refine strategic investments and measure total opportunity.

We welcome the opportunity to talk with you and your team about it.

Authors

Kenneth Saldanha
Global Lead –
Insurance, Accenture

Ravi Malhotra
Managing Director –
Accenture Strategy

Contributors

Andre Schlieker
Global Insurance Research Lead
Accenture Research
andre.schlieker@accenture.com

Thomas Mulder
Insurance Research Lead – North America
Accenture Research
thomas.a.mulder@accenture.com

Erik Sandquist
Managing Director – Customer,
Sales & Service, Accenture
erik.j.sandquist@accenture.com

References

[1] Unless otherwise noted all data come from Accenture Research analyses

[2] "Policy support and vaccines expected to lift activity," International Monetary Fund (January 2021).

[3] "China's GDP grew 6.5% in the final quarter of 2020, making it the only major economy to expand last year," Markets Insider (January 18, 2021).

[4] Average retention rates are approximately 87% for life insurance and 78% for non-life insurance across OECD countries (2021).

[5] Global issues | Aging, United Nations (2019).

[6] Ibid

[7] Ibid

[8] "Cost of older adult falls," CDC (July 9, 2020)

[9] "Guide insurance customers to safety and well-being," Accenture (January 20, 2021).

[10] "Life insurance industry invests in cognitive health to tackle the future of aging," Neurotrack (September 21, 2020)

[11] Ibid

[12] "Best short term rental insurance: How to protect your home when renting," Investopedia (January 28, 2021)

[13] "Allianz UK taps Dinghy for freelancer offering," Insurance Business (December 3, 2019)

[14] "Three ways COVID-19 is changing insurance," Accenture (November 30, 2020)

[15] "Tesla Insurance," Tesla (2021)

[16] "Emerge stronger: Recession recovery for insurers," Accenture (July 30, 2020)

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 537,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at **www.accenture.com.**

Accenture Research

Accenture Research shapes trends and creates data-driven insights about the most pressing issues global organizations face. Combining the power of innovative research techniques with a deep understanding of our clients' industries, our team of 300 researchers and analysts spans 20 countries and publishes hundreds of report articles and points of view every year. Our thought-provoking research—supported by proprietary data and partnerships with leading organizations such as MIT and HBS—guides our innovations and allows us to transform theories and fresh ideas into real-world solutions for our clients. Visit us at **www.accenture.com/research.**

Disclaimer: This content is provided for general information purposes and is not intended to be used in place of consultation with our professional advisors.

This document refers to marks owned by third parties. All such third-party marks are the property of their respective owners. No sponsorship, endorsement or approval of this content by the owners of such marks is intended, expressed or implied.

Copyright © 2021 Accenture. All rights reserved.
Accenture and its logo are registered trademarks of Accenture.