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2024 Insurance Industry Outlook: Strategizing for the Shifting Future

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New opportunities and risks in the insurance sector demand strategic changes, technology adoption, and adaptable leadership.

Growing disruptions have challenged the ability of insurers to keep up with demand. Providers—once a strong buffer between policyholders and the impact of economic downturns—are increasingly facing financial challenges of their own, sparked by high inflation and a rapid rise in claims.

For insurers, protecting their own companies against losses will be just as important as protecting customers in 2024. Leaders must prioritize technology adoption and innovative, agile strategies to succeed during this critical year.

Restabilizing the Insurance Industry

A slight stabilization of the insurance industry may be underway. Life insurance premiums reached [record highs](#) in 2023, and growing confidence in the economy—along with [strong purchase intent](#) from younger generations—is expected to spark a continued increase in policies sold in 2024. For all insurers, [high interest rates](#) are expected to boost investment income over the next year.

Despite the increased breathing room, non-life insurers are continuing to reel from losses. The long-term impact of growing disruptions in the industry cannot be understated. In the first nine months of 2023, property and casualty insurance companies faced [\\$32.2 billion](#) in underwriting losses—up \$7.6 billion from the same period in 2022—largely due to natural disasters. For auto insurance providers, the post-pandemic return to work, climate change, and rise in [catalytic converter thefts](#) are all fueling a rapid [increase in claims](#).

Soaring premiums have alleviated some of the financial impact of growing losses. However, rate increases have also hindered customer interest and trust. Faced with economic concerns, [Nationwide](#) reports 20% of consumers have or plan to remove policies from their coverage—and many more are reducing coverage or switching to new providers.

The long-term stabilization of the insurance industry will require new strategies and innovation. For some insurers, like Allstate and State Farm, [halting home insurance policies](#) in high-risk areas like California has been instrumental for building resilience. For others, developing more attractive products—leveraging personalization in the process—will be key to strengthening customer acquisition and retention.

Entering the Age of Personalization

[Digital transformation in the insurance industry](#) offers new opportunities for insurer and customer interests to merge. Leveraging new data collection tools—like vehicle telematics devices, fitness trackers, electrocardiogram (ECG) monitors—insurance companies can better customize policies according to usage and risk. Policyholders who commit to healthier lifestyles, safer driving habits, and protective devices like smoke detectors will increasingly be able to reduce their insurance premiums. At the same time, insurers can strategically adjust rates for high-risk policies to ensure adequate financial protection.

Artificial intelligence will similarly support mutual success by increasing the predictability of risk and customer behavior. For example, AI tools have been proven to [increase climate resilience](#), enabling accurate disaster predictions based on human activity and the mapping of high-risk areas for wildfires. Insurers that leverage these capabilities can pioneer smarter policy customizations and more sophisticated customer experiences in coming years—and doing so will be critical to business success. In 2024, [52%](#) of insurance CEOs will make significant AI investments.

But leveraging AI will require support from the right leaders and technology professionals, and talent strategies must evolve to enable change.

Restructuring Insurance Organizations

As the role of insurtech continues to expand, companies must evaluate the skills gaps within their workforce and leadership teams. Emerging technologies are streamlining core processes in the industry—from underwriting to claims management—reducing the need for traditional insurance functions. Simultaneously, demand for technical skills is heightening. Regardless of role, insurance leaders must be attuned to developments in the insurtech space to maintain industry-leading efficiency and innovation.

New technologies can alleviate some of the talent shortages and retention struggles insurance companies have faced in recent years. According to [MIT Sloan](#), generative AI can enhance worker performance by 40%. However, the implementation and use of cutting-edge tools introduces the new challenge: In the midst of a global tech talent shortage, in which [over 85 million](#) jobs remain unfilled by 2030, insurance companies must throw their hats in the ring and contend for high-performing technologists. In this battle, insurers will face competition from *all* industries as digital transformation takes shape around the world.

Chief human resources officers (CHROs) will be instrumental in elevating recruitment efforts and reshaping the insurance workforce. These executives will lead the development of new [insurance talent strategies](#), from the implementation of flexible work arrangements to cultural changes (like diversity, equity, and inclusion initiatives) that appeal to younger candidates and the more diverse workforce of the future. CHROs can also lead shifts in employer branding—capitalizing on the [vital role of the insurers in economic development](#) to provide the sense of purpose [82%](#) of employees now seek.

Increasingly, CHROs will also take on a strategic role, collaborating with their C-suite peers to align recruitment and retention strategies with broader business goals. In fact, [Accenture](#) reports 89% of CEOs agree CHROs should play a key role in ensuring long-term profitability.

However, organizational changes aren't enough to future-proof success in the insurance industry. External forces, including [increasing scrutiny from regulatory bodies](#), are certain to create new shifts that will affect all players in the insurance sector in 2024.

Navigating the Regulatory Future

The insurance sector has absorbed much of the shock of economic volatility in recent years, promoting financial stability in the recent challenging years. But as insurers begin to seek stabilization within their own companies—exploring new opportunities to grow profits and recuperate losses—governments are increasingly enacting laws to protect consumers and businesses. The first half of 2023 saw [over 1,700](#) state regulation changes, representing an 8% increase from the same period in 2022, and a similar increase is expected in 2024.

In particular, regulators are heavily scrutinizing the recent rise in policy limitations. Insurers are seeing an uptick in laws that establish minimum financial responsibility in the face of auto accidents, catastrophic storms, and similar events. The National Association of Insurance Commissioners ([NAIC](#)) also announced plans to enhance oversight of investment strategies and cash flows in 2024 to further protect consumers from loss.

Insurance companies can also expect to grapple with new data privacy laws—including [updates](#) to the California Consumer Privacy Act that require businesses to honor deletion and opt-out requests—and growing AI regulations that challenge efforts to elevate customer-centricity. However, rising government intervention may present new opportunities. For example, Louisiana regulators passed funding for a \$45 million program to incentivize insurers to provide home insurance at affordable rates. In 2024, similar collaborations may

enable strategies that lead to mutual benefits for insurers and policyholders.

Savvy insurance leaders must prioritize agility when developing business strategies. As new regulations and incentives roll in, plans must change accordingly—and executives must think on their feet to elevate profitability while maintaining compliance.

How will your insurance firm navigate the new opportunities and challenges to come in 2024?