



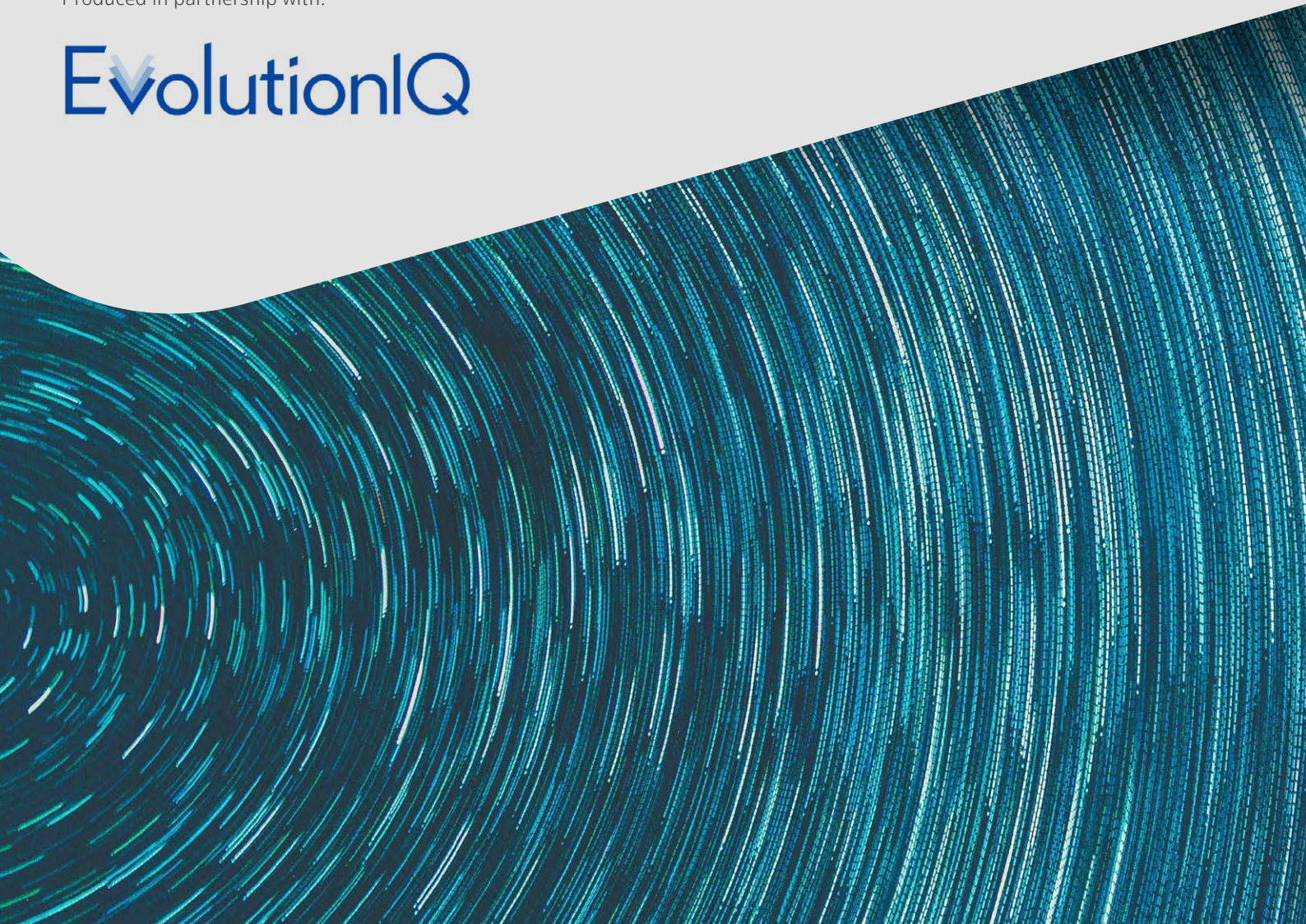
REUTERS EVENTS™

THE FUTURE OF INSURANCE EUROPE 2023

POST EVENT REPORT

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Innovation at every level, true sustainability and repositioning the industry to attract and retain talent were among the themes at Reuters Events: The Future of Insurance Europe – with insights from Lloyds, Generali, ERGO, AG2R La Mondiale, WWF International and many more.

Europe's insurers face multiple challenges going into 2024 - not just economic, but historically extreme weather events and the fallout from global conflict. In the next decade, according to the [2023 Global Risk Report](#) from the World Economic Forum and Marsh McLennan, six of the top ten risks facing insurers will be environmental. Presenting the key findings Henrik Ryden, CEO Nordics, **Marsh McLennan**, warned of the "darker side" of environmental, social and governance (ESG) objectives. "We need to understand that today, ESG means money...and there are some corporates overselling ESG to the public, and not least, the capital markets," he said.

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The need to cover the growing array of heightening risks, all happening simultaneously, is hastening changes to the very fabric of the industry, and is disrupting traditional ways of doing business. Stefano Bison, Group Head of Business Development, Partnerships & Innovation, **Generali**, explained the challenge and the opportunity. “On the one hand, there is strong demand for stronger protection gaps, but on the other there is a lack of capacity,” he said. Meanwhile, as events change faster than models, new datasets are emerging, “so cracking these can be a potential innovation.”

Technological innovation was the core thread running through the whole two days, as insurers look to build resilience, improve margins, and find new approaches through partnership for customers and employees. To this end, leading organisations, such as Lloyds, Generali and Munich Re’s ERGO Group AG, have established innovation hubs to drive their transformation agendas.

Beyond operational challenges, there has been a dramatic step change in European consumer-orientated regulatory initiatives, bringing concerns about competitiveness. Insurers agree that providing products that deliver positive consumer outcomes is fundamental, but, [as consultants KPMG point out](#), there is a gulf between how firms, regulators and consumer groups prefer to pursue this, so negotiations are in process. These themes and many more were the backdrop to the two-day event in Amsterdam, which brought together a wide cross-section of insurance stakeholders in late 2023. Insights from the top sessions are shared in the pages ahead.

SECTION 1: INNOVATION AT THE CORE, TRANSFORMATION FROM THE TOP

One source of the increase in regulatory initiatives has been the pace of technological change. [Insurers and regulators alike](#) are grappling with the opportunities and challenges of AI and ML. While there are concerns about the impact of consumers and the critical role of ethics in handling data, the benefits to be reaped from gathering insights into customer behaviour, used to drive product innovation and help assess risk, are indisputable.

The technological pace of change in the industry is now exceeding the speed at which it can be implemented, giving rise to a potential cultural backlash in an industry used to applying prudence in a risk-averse environment. Global insurance and asset management provider Generali has a venture capital “scouting” arm and an innovation fund, which was established two years ago to finance internal projects. Typically, these involved collaboration with start-ups and other external entities, but on encountering resistance from managers, the fund was split into two engines. One accelerates projects that are already up and running, while the second is more focused on early stage proposals. “Any single employee can visit the group innovation team, to pitch their idea,

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and if it's worthy... we just finance them." Employees can even go against a manager's will, which is rather "revolutionary", especially for companies that care about hierarchy, Bison said.

Approaches may vary, but Hanbing Ma, Head of Innovation Strategy & Scouting, **ERGO Group AG**, said success depended on "clear, credible commitment from top management" and a willingness to "articulate, act and demonstrate that you are serious about innovation and digitalisation". This meant making digitalisation a strategic priority, and allocating resources, people and investment, to everything from corporate venture capital to AI, robotics, scouting, startup collaborations, and more. To garner support for change, she recommended showing not telling. If you can show that robots remove the repetitive tasks, and human skills are very much valued, "they become an ambassador for you".

UK-based personal lines insurtech **Policy Expert** holds the position that bringing the organization together each Friday to share experiences across project teams is one way to help everybody "feel part of that innovation" as CEO Steve Hardy put it.

At Paris-based **AG2R La Mondiale**, a French multinational insurance company, when the new CEO arrived just over a year ago, they embarked on a big bang approach to transformation, involving hundreds of millions of dollars of investment. Though still in the early stages, this strategy is beginning to pay off. According to Raphaël Gusdorf, the group's Chief Digital Officer, the first project focused on customer relationship management (CRM), and today 80% of the workforce is on Salesforce, and net promoter scores are rising again. He stressed, however, that successful transformation requires "very, very strong change management".

Insurers are looking to be fully tech-enabled, mastering data and its many sources to rapidly assess and price risk and improve customer service. But in specialty markets, underwriting is still done mostly by humans. "If you're a broker in Germany, and you want to insure cyber in Germany, today you can't do this," said Amelie Breitburd, CEO, **Lloyds Europe**. Data and the standardisation of it, she added, would bring capacity closer to the brokers, intermediaries, and even customers. After months of lobbying, December saw the first EU AI Act introduced, and the industry, which is no stranger to regulation, will be watching closely as the final wording is agreed.

With the introduction of in-depth data analytics, insurers can perfect their value chains, using data-driven decisions to improve the efficiency of their solutions. However, it has also brought management challenges as the influx of data has brought heightened vulnerability to security breaches for insurers and their clients.

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SECTION 2: AI AND ITS FUTURE IN INSURANCE

In 2024, AI is poised to revolutionise the insurance industry, reshaping traditional processes and strategies. From underwriting to claims processing, insurers are leveraging AI algorithms to automate and streamline tasks, reducing manual efforts and minimising errors. As Karol Dobias, Global Head of Multinational Transformation at **Allianz Commercial** puts it however, “change management [...] is going to be the key differentiator of delivering the benefit for the company [...] and the success of utilisation.” While benefits are substantial, challenges and ethical considerations persist. Arguably the greatest difficulty surrounding AI implementation within insurance organisations is one of culture and trust – a topic tackled by a panel discussion during FOI Europe 2023. The consensus amongst the panelists was clear that although, according to Dobias, “the technology will be moving much faster than we will be able to bring our employees on”, there is tangible reluctance to adopt AI due to concerns around job security and a lack of understanding of how the technology will affect employees day to day: a “cultural nut to crack” as Fredrik Thuring, Head of Operational Analytics, **Tryg** put it.

The key to this conundrum will be found in communication. “The most important message to our employees is that AI and all these tools are here to enhance our work, not to create any trouble, or accept or make decisions that are harmful for the company.” Meeri Savolainen, CEO & Founder, **INZMO** states. Ensuring the responsible and transparent use of AI, addressing issues of bias in algorithms, and navigating regulatory landscapes also remain key focal points for industry leaders. But “at the end of the day, humans are the ones that are responsible for any decisions”, so AI should not be taking on responsibilities that are at risk of creating ethical issues any time soon.

If AI can be successfully integrated where it will have the greatest impact, with the support of the employees behind it, the benefits are boundless. From fraud detection to customer experience, the players who have prioritised flexibility in their operational structure, and have communication as the backbone to their AI implementation, will reap the rewards of increased efficiency, employee and customer satisfaction. Summed up by Dobias, “it’s a win for the employees, as employee satisfaction would increase, it’s a win for the customers, because we can actually spend more time talking about the solutions and their needs, and it’s a win for the company because it allows you to drive productivity.”

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WHY AN AI CO-PILOT FOR BODILY INJURY CLAIMS IS THE NEXT-BEST DECISION

Fast-growing EvolutionIQ has developed an AI-powered claims guidance platform that is lowering the cost of claims, and has increased the numbers of sick or injured people returning to work by over a third.

If somebody has experienced a life-altering bodily injury or disability, the last thing they need is any unnecessary delay to their claim. "Usually people want to get back to work... They have families to support... and it gives them a sense of purpose," says Jason Kapler, *VP of Marketing*, at **EvolutionIQ**, an enterprise level claims guidance platform powered by artificial intelligence (AI) and specialising in bodily injury and disability claims.

However, a speedy resolution for these nuanced and often costly and drawn out claims is in the interests of all parties. In 2021, according to the U.S. [National Safety Council](#) (NSC), the costs of work related injury were \$167-billion, a figure that includes wage and productivity losses of \$47.4 billion, medical expenses of \$36.6 billion, and administrative expenses of \$57.5 billion.

"Our core philosophical belief" says Kapler, "is that if we can get claimants the resources and support that they need as soon as possible, then there's a whole bunch of downstream benefits for them, their employer and the insurance company."

Fast-growing EvolutionIQ launched its AI-powered claims guidance platform in 2019, and is currently working with 70% of the top 15 disability carriers and a growing list of workers' compensation providers.

THE CHALLENGE AND OPPORTUNITY

Some of EvolutionIQ's U.S. clients have as many as a million claims each year. Individual adjusters can be responsible for as many as 200 claims, often running into six figures. Typically, as Kapler explains, "carriers dealing with bodily injuries have used a diary or time-based system to follow up". However, each claim file can hold hundreds of pages of documents, in many different formats, with reams of structured and unstructured data, leaving adjusters feeling overwhelmed. In this sensitive environment, where there is limited scope for fully automated-adjudication, all too often adjusters are too early or too late in taking action. Better claims outcomes and value creation starts with the right claims handling,

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and it starts with ingesting and making sense of the data on a daily basis. “What we’re doing is dynamically analysing the claim files every night and scoring or ranking it so that when a claims manager walks in the next day, they know where or where not to focus their attention,” Kapler says.

In short, the AI-powered software, which sits on top of any core system, guides insurance professionals to where their expertise is most needed. With AI embedded throughout the claims lifecycle, there’s greater predictability and lower cost of capital, helping to drive transformational growth.

However, Kapler is keen to stress the importance of humans in the loop. “There will always be a need for compassion and empathy. It’s really about empowering claims handlers with an AI co-pilot that helps to make the next best decision,” he says. For very complex situations, the AI co-pilot is able to redirect the claim file to the human with the most expertise in a particular area.

THREE TANGIBLE BENEFITS

Since harnessing EvolutionIQ’s AI-powered claim guidance platform, adjusters are dynamically fed with the right information, driving the right action on the right claim at the right time. Some significant result include:

1. Improved operational effectiveness

- Claims consultants are **2x as effective** in identifying actionable claims
- Examiners saw a **43% reduction** in claims requiring avoidable transition

2. Improved claim outcome and claimant experience

- Average duration across the mid-stage claim block decreased by 10% (20+ days)
- 33% faster payment on qualified claims

3. Direct financial impact for carrier

- Resolutions in mature block jumped from to ~3.5% from 1%
- 8-figure loss reduction, driven by an increase in effective resolutions

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SECTION 3: ESG, INCLUSION AND RESPONSIBILITY

The insurance industry has consistently made a positive contribution to society, by helping to reduce financial uncertainty and make accident loss manageable, but often its mission is misconstrued. Insurers have been seeking to address this, to enhance consumer trust, and also to comply with the European Commission's moves to incorporate the industry in its efforts to accelerate mitigation of climate risk, and the societal changes it is seeking to effect.

A London survey of 30 leading insurers by Marsh McLennan found that 40% consider ESG risk when evaluating and rating an insured, and 100% believe this will be a fundamental risk evaluation factor in years to come. Considering ESG has benefits for both your business and your customers – 27% say clients with a good ESG profile have a lower cost of capital, while 80% that meet the litmus test will benefit from some kind of credit or lower premiums.

"There is a very, very clear incentive being sent from the market, that insurance buyers who are able to demonstrate a clear, sincere strategy will be treated in a different manner than those who do not," Ryden said.

But calls are growing for the industry to play an even bigger role in reaching net zero, and to respond with transparency to increasingly vigilant stakeholders. At **WWF International**, one of the world's largest conservation organisations, Aaron Vermeulen, Global Finance Lead, said there are still too many insurers underwriting fossil fuel-based projects. However, it's not just what is insured, but also how carriers are engaging with clients to assist them in transitioning to more sustainable business practices.

The [Taskforce on Nature Related Financial Disclosures](#) could help insurance companies and other financial players to start disclosing how they're exposed to nature related risks. WWF's biodiversity risk filter, a geospatial tool, allows insurers to quantify clients' exposure to nature- or weather-related risks by location.

Increasingly, there are calls for insurers to play a role in preventing and mitigating climate risk. In 2019 historic flooding in the Mississippi River basin caused \$20 billion in damages but just 10% was covered by insurance, according to Munich Re. The German reinsurer [partnered with the Nature Conservancy](#) to understand the benefits of combining nature-based flood mitigation with a community based flood insurance product that spread risk across all private households and companies with exposure. "That's a great example how you can design a climate resilient strategy to address volatility in the world we're living in now," Ryden said.

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CASE STUDY: HOW ZURICH IS SHAPING EX

Attracting and retaining talent looks set to be one of the top four challenges impacting insurers' revenue growth in 2024, according to a survey by [data insight firm WTW](#). At Zurich, Thompson believes the industry is doing a poor job on both fronts, and especially in attracting and nurturing young talent. A major business goal is driving more digitalisation and automation, and the group is exploring multiple to bring people along with. "Of course, this is a real challenge in insurance because the culture is very controlled, we're very governed, we're very risk based," he said. What is required, he continued, is a fundamental shift in culture. Insurance is an apex industry in the context of an ecosystem. "We shape, we influence, we lead, and that means we carry accountability and responsibility for those that we employ," he stated.

Thompson's presentation included a never-before screened video telling the real-life story of how Chloe, an employee at Zurich, supported a customer who had fallen on hard times. It was a touching reminder that when done properly and with humanity at its core, insurance is much more than a necessary evil. He also outlined a range of ways that Zurich is looking to unlock the potential of people, and nurture and support a diverse and inclusive culture:

- **Widening the reach beyond graduates** – The success of Apprenticeships couldn't be more clearly evidenced than through Zurich's CEO, whose journey began in such a scheme.
- **Training** – Zurich's training programmes include senior development sessions on leadership, technical sessions focused on underwriting and claims, and symposiums around young and emerging talent.
- **Career progression** – Organisational health surveys showed that people are highly motivated when they first join the company, but then it tapers off. Based on the principle that 70% of learning is gained by doing rather than in a classroom, employees can apply for short-term assignments through the My70% programme or online training session. A bit like speed dating, employees are matched to a project manager for three months, filling a need and gaining experience at the same time.
- **Mentorship programmes** – Sustainability of the workforce is a major focus, and 70% of new appointments are internal.
- **Diversity** – Zurich was the first insurer to advertise 100% of new roles on the basis of full-time, part-time, job-share or flexible working. Since introducing the initiative, they have been able to attract five times more women into jobs. Wider diversity and making insurance more accessible is also a focus, and they are working with Auticon, a recruitment firm exclusively hiring people with autism for data science skills.
- **Cultural inclusivity** – Zurich is also engaging heavily with social enterprises in its supply chain delivery.

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SECTION 4: CUSTOMERS, CLAIMS AND COSTS

European insurers are reporting that their profitability remains under pressure from the rising cost of claims and other operating expenses. Although inflation levels are beginning to show signs of improvement, they have not fully yielded to central bank tightening, and remain at high levels. So, as part the management process, insurers are looking for ways to streamline their business to deliver value to both customers and the bottom line.

In an industry that is hierarchical by design, Imre Sztano, Chief Digital Officer, **NN International Insurance**, said the starting point has to be “where you can really move the needle to generate value”. For a life insurer with long contracts, they started with the front end of the value chain. “We are heavily focused on creating a totally different level of customer engagement to generate new sources of business,” he said. This strategy is beginning to pay off, and today 30% of new business comes from digitally generated leads.

Cost mitigation is another factor, and organisations are looking for efficiency in managing claims, forming partnerships and developing suitable strategies to reduce claims life cycles, whilst keeping reserves under review. Optimising the claims processes will cut costs and reduce customer friction, so insurers are seeking to create an end-to-end journey through omnichannel engagement and automation.

Ian Thompson, Group Chief Claims Officer, **Zurich**, said: “We need to make sure that leveraging technology gives our people the ability to deliver the service that our customers are looking for.” That includes recognising the nuances around their particular needs and vulnerabilities, and giving them the option of human interaction. He also reminded the audience that in most European markets, “people don’t buy products on the basis that it will be a completely digital experience”.

Achieving the required customer-centricity requires changes right across the board, from technology architecture to product portfolios. It’s clear that claims is at a critical crossroads – with the rise of AI and increasingly unsettled customer behaviour, understanding clients and what they need from insurers are vital factors in winning the customer experience game.

Josh Hart, Co-Founder, Chief Product & Technology Officer, **YuLife**, an insurance provider that is using gamification to engage employees in everyday wellness activities, had this advice: “When you’re designing an experience, focus on joy and emotion. Please don’t focus on functional... the science, the money, all of it comes once you have achieved that.”

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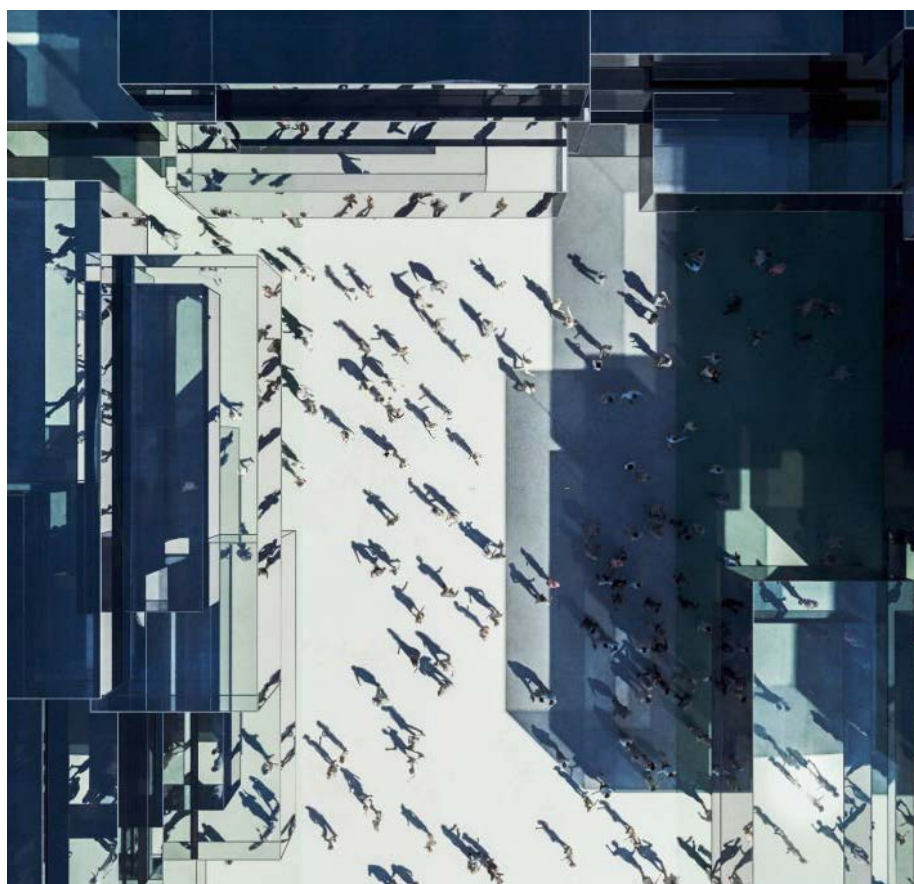


CONCLUSION

Managements know that a robust supervisory framework and appropriate capital are essential to maintain stability, ensure progress and protect the bottom line. So, added to the need for senior company leaders to strategise for the big-picture challenges, to build for the future, their ever-widening list of priorities must also encompass duties to consumers and attracting and retaining talent. And, of course, they must future-proof with digitalisation programmes and decide on the right use of AI. It has never been more vital than now for insurers to develop well-defined strategies for the short, medium and long-term.

Claims inflation is expected to remain a feature of 2024, has seen the European industry face rising costs in 2023. However, the data and analytics that insurers have to examine their portfolios are increasingly sophisticated and operational discipline is tighter, so adverse trends are being spotted much earlier and action taken.

2024 will add strength to some headwinds from the year just past, while others die down and more take their places. The most successful insurance players will have the ability to foresee and act upon these changes before and as they happen, keeping ahead of competition and leading the way into the future.



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