



# 2023 insurance outlook

Global insurance industry at a crossroads to shaping long-term success

# About the Deloitte Center for Financial Services

The Deloitte Center for Financial Services, which supports the organization's US Financial Services practice, provides insight and research to assist senior-level decision makers within banks, capital markets firms, investment managers, insurance carriers, and real estate organizations. The center is staffed by a group of professionals with a wide array of in-depth industry experiences as well as cutting-edge research and analytical skills. Through our research, roundtables, and other forms of engagement, we seek to be a trusted source for relevant, timely, and reliable insights. Read recent publications and learn more about the center on [Deloitte.com](https://deloitte.com).

## Connect

To learn more about the vision of the DCFS, its solutions, thought leadership, and events, please visit [www.deloitte.com/us/cfs](https://www.deloitte.com/us/cfs).

## Subscribe

To sign up for more information and personalize the content sent to you, including our latest research, articles, and webcasts, please visit <https://my.deloitte.com>.

## Engage

Follow us on Twitter at: [@DeloitteFinSvcs](https://twitter.com/DeloitteFinSvcs).

### Deloitte Insurance Services

Deloitte's insurance group brings together specialists from actuarial, risk, operations, technology, tax, and audit. These skill sets, combined with deep industry knowledge, allow us to provide a breadth of services to life, property and casualty, reinsurers, and insurance broker clients. Learn more at [deloitte.com](https://deloitte.com).

# Contents

Key messages	2
Insurers should be pivoting to longer-term reinvention	3
Inflation challenging nonlife insurer profitability even while boosting prices, top-line growth	5
Life carrier transformation likely key to sustainable growth	8
Group insurers get innovative amid shifting dynamics	10
Human capital outlook: Insurers reinvent workplace strategies and culture as talent war intensifies	11
Technology outlook: Moving from infrastructure investment to value realization	16
Sustainability outlook: Insurers should set sights beyond compliance concerns to make ESG a competitive differentiator	21
M&A outlook: Activity slowing from uncertain economy	27
Finance outlook: New accounting rules put public insurers in the spotlight	29
The final frontier: Changing culture as the ultimate enterprise transformation	31
Endnotes	32

## KEY MESSAGES

- Insurers are facing a host of macroeconomic and geopolitical challenges likely to inhibit growth and profitability—including the looming threat of global recession, continuing fallout from Russia’s invasion of Ukraine, and lingering COVID-19 concerns.
  - However, insurers that effectively transitioned during the pandemic to a remote workforce, as well as virtual customer and distributor engagement, could be better positioned to capitalize on a more agile digital infrastructure in meeting evolving expectations for customized products, channels, and services.
  - In setting strategic plans, investment priorities, and budgets, insurers should therefore strive to maintain the momentum of creative adaptation established over the past few years, accelerating upgrades in systems, talent, and culture while becoming increasingly proactive, innovative, and customer-centric.
  - While technology and resulting improvements in risk selection and pricing are likely to remain the primary drivers of improved bottom-line performance, insurers should expect to be increasingly judged by stakeholders on their response to broader sustainability priorities such as climate risk, diversity and inclusion, social equity, and transparent governance—all of which could become competitive differentiators in the battle for talent, investors, and market share.
-

# Insurers should be pivoting to longer-term reinvention

**N**CESSITY HAS INDEED been the mother of reinvention for the insurance industry these past few years, as most carriers were remarkably adaptive and resilient in overcoming obstacles raised by the pandemic. This was likely thanks in part to all the new technology and talent put in place to upgrade systems and capabilities well before COVID-19 hit.

But it may also be due to a significant change in perspective and approach from what might be possible or useful at some point down the road, to what had to be altered immediately to stay in business during the pandemic—often under the most trying of circumstances. In such an environment, any headwinds slowing transformation initiatives often became tailwinds, particularly in accelerating technology and talent transformations. Together, these adaptations should leave most carriers better able to withstand and recover quickly from difficult situations going forward.

Yet this is hardly the time for insurers to rest on their laurels. Rising inflation, interest rates, and loss costs, along with the looming threats of recession, climate change, and geopolitical upheaval, will likely test insurer resiliency. They will also be tested by the entry of new types of competition from InsurTechs and even noninsurance entities such as e-tailers and manufacturers.

Instead, carriers should be building upon the momentum that enabled the transition to a remote workforce and virtual client engagement nearly overnight. More fundamental adjustments should

be considered to maintain an ongoing culture of innovation while making customer-centricity the focal point of the industry's standard operating model. Accomplishing this mindset change will likely depend on how quickly and effectively insurers can:

- Pivot from having laid the foundation for operational transformation—such as transitioning to the cloud—to fully realizing the value and benefits of infrastructure and technological upgrades.
- Move from responding to requirements of regulators and other industry overseers to more proactively anticipating and fulfilling distributor and policyholder expectations, setting themselves apart in an increasingly competitive market.
- Broaden their historical focus from risk and cost reduction to also prioritize greater levels of experimentation and risk-taking that drives ongoing innovation, competitive differentiation, and profitable growth.

**Carriers should be building upon the momentum that enabled the transition to a remote workforce and virtual client engagement nearly overnight.**

Interviews with insurers and Deloitte's direct experience working with a wide variety of carriers suggest these reconstituted approaches should go beyond tactical tweaks. Cultural changes are also likely called for in how insurers: 1) recruit, retain, and optimize talent; 2) engage with customers in customizing and distributing products and services; and 3) reconcile society's overriding environmental, social, and governance (ESG) priorities with their own traditional top- and bottom-line considerations.

In this report, we cite growth opportunities while addressing challenges facing nonlife, life, and group insurers in an increasingly volatile economy. We have also looked at nonorganic growth

potential to assess the merger and acquisition environment. But we mainly focus on bigger picture, cross-industry agenda setters likely to confront insurers in human capital, technology, and sustainability—all areas that could ultimately turn out to be competitive differentiators.

New, unforeseen wild cards are likely to come into play that are largely out of the industry's control, further testing insurers' ability to adapt on the fly. But this outlook concentrates on core areas carriers can and should be able to control in terms of how they view and run their business in a rapidly evolving marketplace—not just in 2023 but during the rest of this already-turbulent decade.



# Inflation challenging nonlife insurer profitability even while boosting prices, top-line growth

**R**AISING REVENUE HASN'T been an issue for most nonlife insurers, thanks to some of the highest property-casualty rate increases posted in years—although not all product lines and individual country markets experienced the same growth levels. For example, commercial lines generally saw more robust growth than personal lines, while homeowners' premiums usually rose faster and higher than for personal auto—trends that are likely to continue into 2023 given ongoing competitive, macroeconomic, and geopolitical conditions.<sup>1</sup>

Meanwhile, Europe and North America accounted for two-thirds of 2021's 6.3% gain in global nonlife premium volume—a major change from recent historical trends, when Asia (especially China) drove the majority of the sector's expansion.<sup>2</sup> And growth wasn't even uniform across Europe, as German insurers saw a 2.4% rise in a more sluggish economy.<sup>3</sup> The same goes for price increase trends—which, while moderating somewhat, are still quite high by historical standards (figure 1). This year, second-quarter rates are up an average of 11% for the United Kingdom and 10% for the United States, versus only 6% for continental Europe and just 3% for Asia.<sup>4</sup>

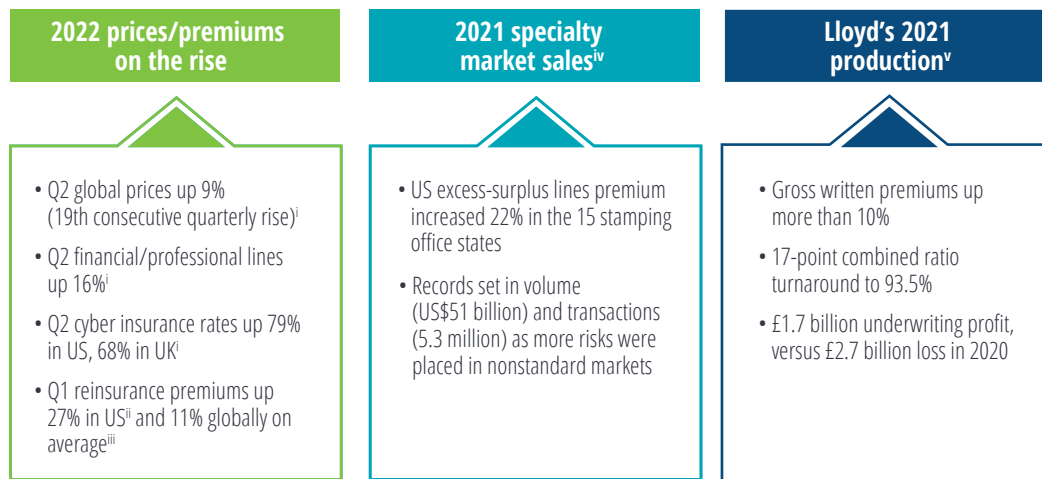
Yet while price hikes were among the drivers pumping up premium volume and sending US consolidated surplus over the US\$1 trillion mark for the first time,<sup>5</sup> inflation is driving loss costs even higher and faster in most markets, undermining underwriting profitability.

As of May 12, average replacement costs were up 16.3%—nearly twice the consumer price index rise.<sup>6</sup> This is in addition to the ongoing effects of social inflation, which elevate insurance claims costs because of increased litigation frequency, broader liability definitions, and legal decisions trending more in favor of plaintiffs—including higher compensatory awards from juries, particularly in the United States.<sup>7</sup>

These factors—along with the increasing impact of catastrophic weather events and cyber risk—were all likely major contributors to the US\$3.8 billion net underwriting loss reported by US nonlife insurers in 2021 despite robust written premium gains.<sup>8</sup> These effects should linger this year and perhaps into 2023. S&P Global Market Intelligence expects inflation to raise the US combined ratio above 100% for the first time in five years in 2022 despite anticipated direct written premium growth of 9.8%.<sup>9</sup>

FIGURE 1

## Prices, premium volume are soaring across commercial lines



Sources: i. Marsh, "Global commercial insurance rates continue moderating trend as pricing up 9% in second quarter of 2022," press release, August 1, 2022; ii. Reinsurance Association of America, *Quarterly underwriting and operating report*, May 27, 2022; iii. Gallagher Re, *Gallagher Re global (re)insurers' financial results report for Q1 2022*, May 31, 2022; iv. Wholesale & Specialty Insurance Association, *2021 stamping office premium and transaction report*, January 25, 2022; v. Lloyd's, "Lloyd's reports return to profit and a resilient capital position in 2021 results," March 24, 2022.

Rising reinsurance rates and shrinking coverage availability are also contributing to market hardening while adding to primary carrier operating costs. Midyear property reinsurance renewals were particularly challenging, as concerns over inflation's impact on loss costs as well as scarcity of retrocessional coverage prompted capacity withdrawals.<sup>10</sup> A survey by *Reinsurance News* found 77% of respondents expecting many carriers to be unable to secure their desired protection level.<sup>11</sup>

Insurers and their intermediaries may also face the prospect that many commercial and personal insurance customers could seek coverage reductions or even allow policies to lapse as a means of dealing with broader inflationary cost

pressures. About half of UK consumers surveyed by Guidewire said they were at least somewhat likely to cut their spending on insurance in response to cost-of-living increases.<sup>12</sup>

## Opportunities knock for proactive nonlife players

Even in a problematic economy like this, there are likely to be multiple opportunities to improve top- and bottom-line results through organic growth as well as enhanced operational efficiencies.

For example, the small-business insurance market appears primed for reinvention, with many buyers surveyed by Deloitte Global seeking new types of



policies, greater flexibility in terms, pricing, and payment options, as well as more holistic loss control services.<sup>13</sup> Cyber insurance in particular appears to be in greater demand—although carriers should proceed with caution as ransomware frequency was up 235% in 2021 compared to 2019, while average ransom payments skyrocketed 370% over the same two-year period.<sup>14</sup>

Meanwhile, the London insurance market could double in size just by covering the global transition to green energy for policyholders looking to achieve net zero on carbon emissions, according to the London & International Insurance Brokers' Association (LIIBA).<sup>15</sup> Buyers around the world will annually spend an additional US\$125 billion in insurance-related transition costs by 2030, according to LIIBA's CEO Christopher Croft, who said that "if a significant proportion of that \$125 billion came to London, it would transform our market and London's standing for decades to come."<sup>16</sup>

In personal lines, concerns over whether the rise of autonomous vehicles might divert billions of premiums into product and professional liability coverages (since the technology and software running the car, not the driver, may be at fault in accidents) are unlikely to materialize anytime soon, given reports that self-driving technology remains largely experimental.<sup>17</sup> As more such vehicles hit the roads, however, auto insurers should consider designing split coverage—perhaps similar to hybrid policies already marketed to ride-share drivers in which personal auto applies when off-duty, with separate commercial coverage activating when driving for hire. The same bifurcated policies could be marketed for when autonomous systems are on versus when drivers are in control.<sup>18</sup>

More carriers should also be exploring potential partnerships to capitalize on the growing embedded insurance market—with coverage purchased at the point of sale of some other product or service. Gross premiums are forecast to grow by as much as six times, to US\$722 billion by 2030, with China and North America expected to account for more than two-thirds of the global market.<sup>19</sup>

The world of intangible assets—nonphysical properties with monetary value—is also expanding and creating new exposures to cover, from cryptocurrency and NFTs to virtual activities on the metaverse. Only 17% of such assets are currently insured, according to research by Aon and Ponemon.<sup>20</sup>

Beyond product innovation, insurers should also be accelerating technology transformation initiatives to upgrade operational efficiency, pricing accuracy, claims management, and customer experience—in parallel with efforts to enhance staff capabilities to exponential levels in underwriting<sup>21</sup> and claims.<sup>22</sup> This should help carriers realize the full potential of all the new data, analytical tools, and enabling technologies at their disposal—from artificial intelligence to the cloud.

More carriers might also consider outsourcing noncore functions to transition from variable to fixed costs as well as provide greater experience and expertise in areas ranging from human capital to cybersecurity.

# Life carrier transformation likely key to sustainable growth

**W**HILE CHANGE HAS often come slowly in the life insurance sector, a metamorphosis may be underway. The effects of the pandemic are lingering, company ownership and product mix are evolving, inflation and interest rates are soaring, and consumer expectations are growing and diversifying.

Addressing these dynamics will potentially require insurers to shift away from the reactive measures used to navigate the pandemic. To take control of their own transformation and destinies, carriers should be proactive, whether it's by doubling down on their pandemic-spurred digital enhancements; introducing new products, services, and distribution options; or by seeking out new customer niches.

The pandemic-driven surge in premium growth since 2020 appears to be waning. Global life insurance premium growth in real terms is expected to contract slightly (-0.2%) in 2022 (figure 2), primarily due to inflation-driven disposable income pressure and financial market volatility.<sup>23</sup> There is an expectation for a turnaround in 2023 of an estimated 1.9% rise in global premiums in real terms across advanced and emerging markets, as inflation pressures ease and economic conditions improve.<sup>24</sup>

Therefore, to drive sustainable growth in the life sector through the shifting operating environment, insurers will likely need to take initiative to seek out previously unserved and underserved markets,

FIGURE 2

**While life insurance premiums in real terms are expected to contract slightly this year across regions, emerging markets (excluding China) are estimated to grow, led by a 6.6% increase in India**

	2022 F
Global	-0.2%
North America	-0.4%
Europe	-1.1%
Asia/Pacific	0%
Emerging markets excluding China	3.5%

Source: Sigma 4/2022, "World insurance: inflation risks front and centre", Swiss Re.

by customizing propositions and innovating distribution to the unique requirements of each of these various groups.

This will likely require identifying, activating, and personalizing products and services for underpenetrated segments in various geographies. A US consumer survey revealed that respondents' needs and desires differed widely between demographics. For example, the youngest age groups and lowest income earners surveyed were least familiar with the value and features of mortality products, respectively,<sup>25</sup> while the lowest

earners and oldest age group expressed the least comfort using digital and online options in addition to or instead of agent interaction.<sup>26</sup>

In the Asia/Pacific region, a consumer survey found two-thirds of respondents citing online features as key criteria for life insurance purchases,<sup>27</sup> while the US consumer survey showed only about one-third of respondents willing to use an online channel to purchase life insurance.<sup>28</sup> Consumers more hesitant to use digital options may be more open to the medium if they better understood the products and their value. Insurers could work to raise financial literacy by exploring new ways to educate underserved populations to potentially drive more online interaction. This suggests not only focusing on demographics that are least likely to understand the value of mortality coverage at all, but also those that might benefit from a better understanding of more sophisticated products, as increased confidence could potentially make online options more palatable. Heightened client expectations for transparency, ease of doing business, instantaneous transactions, and hyper-personalized experiences mean carriers should ensure the most advantageous digital innovations initiated by necessity during the pandemic are augmented to maintain the momentum of digitization and derive its full value.

Rising interest rates could make life insurers a more attractive M&A target, as anticipated higher future yields can help both product pricing and profitability. Indeed, the sale of legacy life insurance businesses will likely continue to advance the transformation of some life insurers from protection providers to fee-based asset

gatherers, administrators, and employee benefit sellers. Many carriers, including a number of private equity (PE) sponsored insurers, are also seeking to increase asset yields of their acquired business through less liquid and higher-yielding, but also higher-risk, assets.<sup>29</sup> Some acquisition opportunities for public life insurance companies may be hindered by reduced currency embedded in their stock prices. Nevertheless, the M&A market may remain active as the PE-sponsored platforms need to acquire books of business, including reinsurance structures, to maintain growth.

Yield volatility is also something carriers should consider going in to 2023. For example, carriers could experience client attrition or an increase in policy surrenders as customers seek higher returns if yields lag on existing portfolios compared to alternative investments.<sup>30</sup> This could put more attention and pressure on asset liability management capabilities.

Inflation may be a double-edged sword for life insurers. Some inflation can be beneficial, improving investment yields as well as spreads on annuities and other interest-sensitive assets, which could boost sales of these products.<sup>31</sup> However, higher operating, labor, and administrative costs will likely pressure earnings. In fact, Manulife Financial Corp is one insurer that is increasing premiums to offset higher costs this year from inflation that has risen to a three-decade high.<sup>32</sup> Inflation pressure is expected to be greatest in emerging markets but may also have significant impact in the United Kingdom, European Union (EU), and United States.<sup>33</sup>

# Group insurers get innovative amid shifting dynamics

**G**ROUP INSURANCE REMAINS a significant growth opportunity in the North American market.

Life loss ratios and short-term disability incidence, while still elevated, appear to be returning to pre-COVID levels as pandemic-related severity falls, Deloitte has observed during discussions with insurance industry executives.<sup>34</sup> Dental claims, which decreased during the height of COVID, are also reverting to the norm as people resume their pre-lockdown lives.<sup>35</sup>

As metrics across the sector begin to stabilize, however, insurers will likely now grapple with how to adapt to emerging challenges, such as uncovering new areas of sustainable growth to differentiate in a competitive market, as well as serving multigenerational employees with vastly diverse, evolving expectations.

Those seeking long-term organic growth may consider addressing increasing demands for more holistic employee benefits packages. Moving forward from traditional one-size-fits-all plans for such a diverse segment base will likely require offerings that span a broader lifestyle experience across health, wealth, and wellness in a comprehensive way instead of separate transactions or policies for each.

To facilitate portfolio expansion, many insurers are beginning to develop partnerships with other providers as well as third-party vendors. But they should also be looking to eliminate points of friction, if any, among different participants in the group sales ecosystem. The opportunity to combine employer data with employee-generated

information could provide a foundation to create more personalized experiences and tailored offerings that can drive increased and broader enrollment in benefits, while building long-term loyalty.<sup>36</sup> For example, Guardian Life is partnering with InsurTechs, including Noyo and Ideon, which enable connectivity between carriers and other partners to standardize data exchange.<sup>37</sup>

Development of “as a service” solutions offers another potential competitive advantage group insurers can explore. For example, several states including New Jersey, Massachusetts, and Connecticut are increasingly mandating that employers cover paid family and medical leaves.<sup>38</sup> While navigating the myriad of nuances in these state mandates may have been a challenge for large multinational employers previously, this issue now also concerns small companies operating in a virtual setup with multidomiciled employees.<sup>39</sup>

Administrating this patchwork of mandated laws on leave requirements for employers of all sizes could not only create new sources of fee-based revenue for group disability insurers, but it may also potentially increase the competitive advantage for those that take on this pain point for clients.

There is also likely to be increasing pressure from the distribution force for further innovation. Brokers increasingly expect carriers to help their productivity by providing technology capabilities for digitalization and virtualization across all activities.<sup>40</sup> With enhanced technology capabilities, carriers should be sharing more data with brokers as well as employers to design meaningful benefit options and help employees live healthier lives, which could drive down claim costs.

# Human capital outlook: Insurers reinvent workplace strategies and culture as talent war intensifies

**F**ORCED VIRTUALIZATION OF work during the pandemic has fueled revolutionary changes in employee expectations and upended many traditional employment models (figure 3). Flexibility, quality and relevance of work, career path, financial wellness, and inclusion now appear to dominate many employees’ aspirations and are increasingly being used as parameters of job entry, longevity, and exit from an organization.

This is not unique to the insurance industry, but in conjunction with an aging workforce<sup>41</sup> and conservative reputation,<sup>42</sup> the challenges are exacerbated for insurers competing for skilled

talent not just with peers but with other, more cutting-edge industries.

## Shift in thinking and culture may help attract and retain talent

Carriers may struggle to fill and retain their workforce through 2023 unless there are some novel changes implemented to underlying culture that help these organizations to potentially be simply irresistible (figure 4).

FIGURE 3

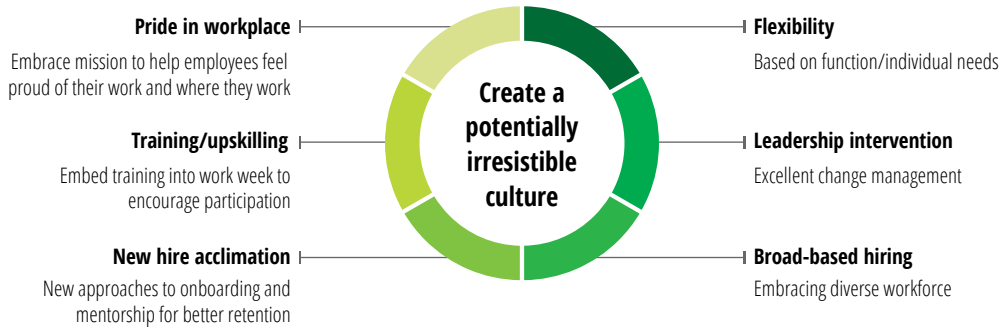
### Change in employee expectations has pushed the “good to have” parameters to the “we need it all” bucket



Source: Deloitte analysis.

FIGURE 4

### Culture shifts could create a potentially irresistible work experience



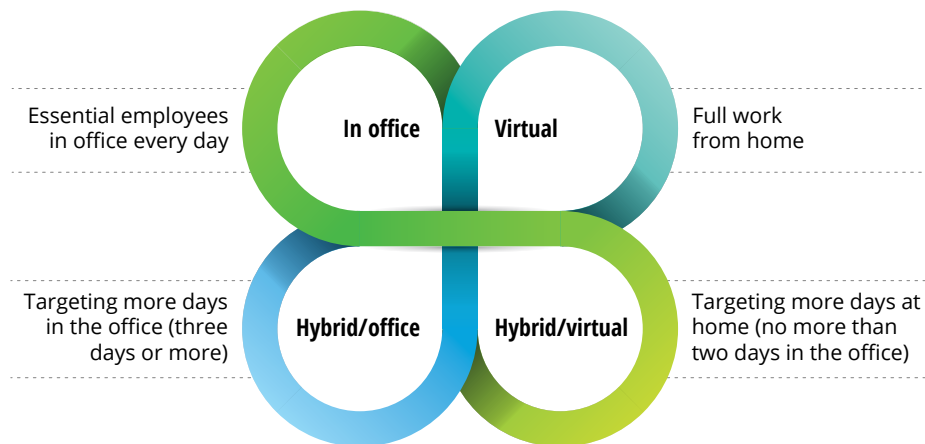
Source: Deloitte analysis.

While lockdowns gave rise to the work-from-home phenomenon and insurers reacted accordingly, the situation has reached an inflection point where organizations will likely need to proactively decide which elements of workforce strategies to keep, change, and discard.

Many carriers are still in the testing and learning stage, dissecting the nuances of each function to gauge where it may fit in a scenario (figure 5), as well as understanding where individual employees would like to reside on the future-of-work (FOW) spectrum. This will potentially be less of a one-and-done strategy and more of an ongoing journey.<sup>43</sup>

FIGURE 5

### Insurers are trying to find the optimal balance considering the different future-of-work scenarios



Source: Deloitte analysis.



“As leaders, we know how critical the role of mentoring/coaching is when developing others. And to be a great mentor/coach, it requires trust and relationship, which is often best built with our colleagues in person. At the same time, the pandemic has proven to us that many tasks/work is more productive while remote. The challenge and therefore opportunity for leaders is to deeply understand the work as well as what makes their employees most productive and design a hybrid approach accordingly.”

— Brigid Pelino, senior VP & chief human resources officer, Definity

As evolving workforce concepts shift from theoretical to practical, arming leadership and management with the tools to prepare employees for change will potentially require shifts in culture throughout the organization. Asking people to come back in person just for the sake of being in the office might no longer be feasible from an attraction and retention lens, so communicating the benefits of in-person collaboration, problem-solving, and team building will be important.

With prospective talent at a premium and workplace boundaries fading, insurers will likely need to pivot in the way they think about sourcing and attracting new employees.<sup>44</sup> For functions that

could accommodate virtual interaction, insurers could leverage the entire global stage to uncover valuable skill sets and at the same time create a more diverse workforce. Stay-at-home parents returning to the workforce, retirees, gig workers, and neurodiverse candidates represent some of the untapped labor pools not traditionally targeted. Zurich UK initiated a part-time jobs initiative to access a whole new pool of talent, driving the application numbers up by more than two-thirds since the initiative was launched, benefiting working parents, caregivers, and those with portfolio careers or other interests they want to pursue.<sup>45</sup>

“Companies will need to prepare leaders to lead in this new environment because a lot of people have had very traditional career paths and may not understand the changing needs and expectations of their employees. So, I think we need to set our leaders up for success.”

— Sonia Boyle, chief people officer, Gore Mutual Insurance

“We have a long-term view on employment—invest in hiring fresh out of college talent and train them on the job so that they can grow within the organization. With a shrinking younger population, tiny adjustments to working hours and flexible schedules can help with pursuit of women, retirees, freelancers, and other such diverse groups.”

— Jana Fallon, VP staffing and executive assessment, Prudential Japan

Moreover, reevaluating current job descriptions instead of remaining fixated on narrower industry-specific qualifications could open new talent channels through broader skills-based hiring. Numerous flight attendants laid off during the pandemic found new careers in Hong Kong SAR’s booming insurance industry as several large insurers hired them because of their hospitality training and experience in dealing face-to-face with customers.<sup>46</sup>

Carriers’ culture may need to be modified to be able to absorb those coming in from outside the industry. This may be even more challenging in the virtual environment many will reside in. It will potentially require novel approaches to onboarding, mentorship, and training<sup>47</sup> to help new hires feel like they are part of the company and not just the job.<sup>48</sup>

While expanding the aperture for skills recruiting could be a net positive for insurers, fading borders

across industries could make retention and attrition the larger pain point throughout the industry.

Focusing on understanding and investing in the evolving demands of their current workforce is important for organizations. A recent employee survey done at Lincoln Financial Group revealed that most employees surveyed continue to want to invest in their career development. However, many said they find it challenging to carve out time to focus on their development when faced with ongoing home and work priorities. Lincoln focuses on making learning opportunities easily accessible and ensuring that employees have time in their workdays to invest in themselves and their career.<sup>49</sup>

Organizations could also rethink the employee experience *after* the skills are obtained, including transparent career pathways and recognition models to match the level and competition for in-demand skills.

“One of the key investments, especially in a hybrid work environment, was in recognition—driven by feedback from employees who wanted acknowledgment and celebration of those moments that matter.”

— Jen Warne, executive vice president, chief people officer, Lincoln Financial Group

Most employees also want to be connected to an organization that evokes meaning and pride for them. Gore Mutual Insurance launched a purpose framework earlier this year around three pillars that underscore the organization’s focus, “be good, do good, and spread good,” embracing wellness and diversity and inclusion, excellent customer experience, and community investment and ESG, respectively.<sup>50</sup>

Given blurring boundaries across regions and industries, evolving employee expectations, and rapid digitalization to support all work environments, the talent conversation going forward will likely be about shifting mindsets and company culture, not only to be able to attract and absorb new talent and skill sets, but to retain employees by offering an irresistible work environment for satisfying long-term careers.

# Technology outlook: Moving from infrastructure investment to value realization

**M**OST INSURERS HAD to ramp up digitization plans during the pandemic to transition practically overnight to a remote workforce and virtual engagement with customers. Overall, however, while technology transformation has often focused on enhancing internal efficiency and accelerating speed to market, that emphasis has begun to shift for many insurers to investments improving customer experience and bolstering data and analytics capabilities.<sup>51</sup> The goal for 2023 and beyond should be to more fully realize the benefits of technology infrastructure investments to make insurers increasingly agile, innovative, and customer-centric.

Carriers have frequently taken a piecemeal approach to technology modernization, transforming system by system, function by function, and app by app.<sup>52</sup> Investment decisions have been mainly driven by shorter-term budget and feasibility considerations rather than achieving longer-term competitiveness through improved customer experience.<sup>53</sup>

A fundamental shift in perspective and priorities should, therefore, already be underway. Insurers still running IT-dominated infrastructure projects should be shifting leadership of transformation

initiatives to line of business and department heads collaborating with CIOs and CTOs in enabling roles. Technology strategies and investments should be tailored to differentiate insurers in customer segmentation, product support, and value-added services, facilitating sustainable growth and profitability.

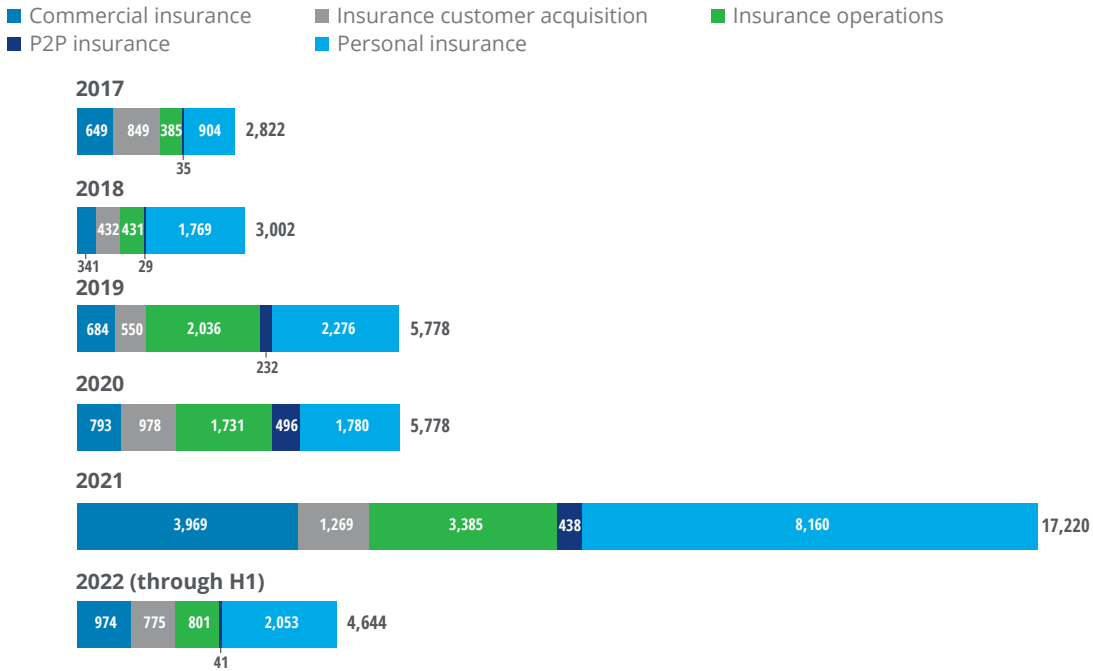
InsurTechs are helping to accelerate technology transformation in two fundamental ways. For one, legacy insurers are already facing increased competition from stand-alone InsurTechs designed for customer-centricity from their launch. At the same time, many carriers are benefiting from point solutions offered by enabling InsurTechs in underwriting, claims, and online distribution platforms, among other customer-facing functions.<sup>54</sup>

InsurTech investment boomed in 2021, drawing a record US\$17.2 billion in funding—just slightly below the prior four years combined (figure 6), as demand for digital solutions rose during the pandemic, while more established startups looked to scale. Investment wasn't nearly as robust in the first half of 2022; however, the US\$4.64 billion raised as of July 1 was already just short of the second-highest full-year total.<sup>55</sup>

FIGURE 6

## While InsurTech investment slowed considerably in the first half of 2022, it is still likely to be the second highest ever

InsurTech funding by category and investment year (US\$M)



Sources: Venture Scanner data as of July 1, 2022; Deloitte analysis.

Meanwhile, advancing data management and analytics maturity should also be one of the main agenda items for insurers. Many carriers still too often treat data as an infrastructure expense to be managed, rather than as a strategic asset that can help them learn more about customer needs and preferences in terms of products and services.

A recent global survey and interviews with chief data officers by the Deloitte Center for Financial Services found that “upgrading to more holistic data management systems while empowering teams to collaborate on data across functions and business lines could help insurers capitalize on their data and analytics initiatives to accelerate innovation, bolster competitive differentiation, and ultimately sustain profitable growth.”<sup>56</sup>

Another possible facilitator might be adoption of low-code/no-code platforms—visual software development programs allowing developers to drag and drop application components and integrate them, also referred to as “democratization of application development.”<sup>57</sup> These can enable accelerated and streamlined software development via point-and-click instead of hand coding.

Insurance CIOs and CTOs should consider these alternative development platforms as an agile way to create custom applications while lowering risks and costs. It could help insurers innovate more quickly with platforms of engagement while bolstering automation capabilities. For example, US-based XN Worldwide Insurance adopted CoverGo’s no-code platform to advance its digital transformation goals and increase customer satisfaction by improving speed to market.<sup>58</sup>

Technology should enable the flipping of priorities from internal core considerations to externally focused “customer to core” initiatives. Such customer-centricity should help spur continuing adaptation and innovation that could set carriers apart in an increasingly commoditized market. It should also help insurers position themselves as more holistic risk management and mitigation consultants, rather than their historical emphasis on transactional risk transfer and indemnification.

## Cloud capabilities should be accelerating shift to customer centricity

Transition to cloud platforms may well be the most significant technology initiative launched by insurers over the past few years, because of its potential impact throughout the value chain. Insurers have spent much time and money migrating data, systems, and applications to the cloud, laying the foundation for even more significant capability upgrades across functions and lines of business. Many have started establishing a fully native cloud platform on which individual applications can be built, configured, and operated.

However, many are still struggling to realize cloud’s full business value beyond table stakes cost savings and efficiency gains. This is often because parts of legacy technology and non–cloud native applications remain in place, creating a hybrid operating system inhibiting interoperability.<sup>59</sup>

To realize the full potential of cloud adoption, the platform should be seen as a means to an end, rather than an end in itself. Moving to the cloud should merely be the beginning of an ongoing transition encompassing more and more data, systems, and processes. However, while many carriers may have laid the cloud infrastructure, too often they still mimic the siloed manner in which operations were handled on legacy systems. This

could limit their ability to take full advantage of cloud capabilities, as well as experiment, innovate, and transform their operations.

Cloud should ultimately be treated like electricity—as a facilitator. People generally don’t talk about electricity powering light bulbs but focus instead on enhancing the lighting systems they enable. Cloud should be in the background, providing the means to forge ahead with more transformative changes, enabling cross-functional compatibility and easier orchestration among multiple systems and applications.

While older forms of architecture may have also intended to offer interoperability, that goal is likely to be more attainable with cloud-based modular architectures and APIs, which can enable various systems to be integrated in a plug-and-play manner.

Ultimately, cloud should be helping insurers improve customer experience by bolstering digital capabilities and deepening their understanding of policyholder needs and preferences through cross-functional applications and data analytics.

Still, even as most insurers have begun to modernize operations through cloud adoption, many remain uncertain how to effectively piece together all their data, applications, and systems on the cloud—especially those areas particular to insurance. This has prompted the emergence of providers with “industry cloud” solutions for underwriting, policy administration, claims, and other insurance value chain elements to layer atop more generic platforms offered by hyperscalers.

“Industry clouds can hypercharge an organization’s capacity to change. Their preconfigured capabilities kick-start the digital build, and continuous innovation-led investment from ecosystem partners allows users to achieve greater nimbleness, scalability, stability, and optionality,” Deloitte noted in a report on industry cloud



opportunities.<sup>60</sup> The report added that industry clouds can “allow organizations to focus internal time, energy, and resources on the most critical and strategic tasks in a highly competitive tech talent environment.”

Now that many insurers have moved core systems onto the cloud, the next challenge will likely be to focus on microimprovements utilizing cloud-based applications specific to their business. This is where industry cloud providers should prove helpful, creating an application programming

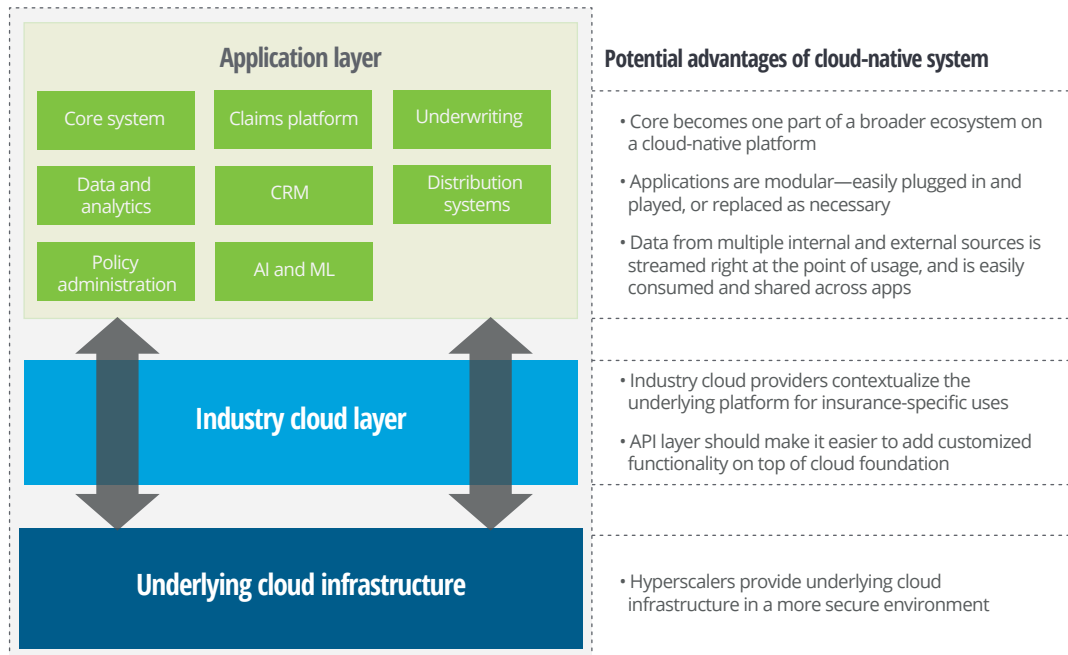
interface (API) layer making it easier to plug and play segment-specific functionality onto a more general cloud foundation.

As illustrated in figure 7, it is likely that cloud-native architectures will not revolve around central core systems. Rather, the core itself becomes just one part of a broader infrastructure integrating front- and back-office elements. These various applications should be able to harmoniously coexist on the cloud, sharing data and supporting one another seamlessly.

FIGURE 7

### What should a cloud-native architecture look like for insurers?

An agile and modular architecture with the ability to plug and play apps should enable greater innovation and differentiation



Source: Deloitte analysis.

A cloud-based infrastructure also should enhance the usability and effectiveness of different application systems, such as AI and advanced analytics. These capabilities should become more consumable when embedded within the cloud as part of any new technological function added, rather than as a separate system. As Deloitte's *State of AI in the enterprise, 2nd edition* report concluded: "By using cloud services as a gateway, it's never been easier to explore and access AI's potential—with minimal upfront investment and a reduced need for in-house expertise."<sup>61</sup>

Insurers should also take into account geographic factors affecting cloud implementation—especially regulatory differences. The EU, for example, sets General Data Protection Regulation standards specifically on how companies should process and protect EU citizens' data hosted on cloud platforms.<sup>62</sup> Related data storage compliance laws around the world also should be taken into account when considering cloud options, particularly for multinational carriers.

The next leg of the cloud journey—moving remaining systems and industry-specific functions onto the cloud while making them more interoperable—could take time to implement. But insurers should already be taking steps to overcome lingering legacy obstacles preventing full realization of their cloud infrastructure's potential. This can enable carriers to amplify system capabilities while making data more accessible and actionable. They could then leverage cloud as a driver of innovation, differentiation, and growth.

However, as insurers continue to modernize their infrastructure and data management systems on and off the cloud, many questions should be raised

and capabilities put in place to address increased frequency of cybersecurity attacks and expanding global privacy regulations, in collaboration with multiple stakeholders across IT, risk and compliance, business lines, and functions.

For example, where will data be stored geographically? Are there appropriate controls to request and manage access? How is data being protected by cloud providers? How is access monitored, managed, and authorized? How are insurers tracking data assets throughout their life cycle from creation to disposal? Such considerations can be further complicated as insurers increase adoption of public cloud platforms.

"We are deconstructing many systems across our businesses. That involves unbundling data and individual capabilities from their various monoliths and uplifting them into microservices using cloud-native technologies. To truly transform the business, we are unbundling not only legacy technology but also the way our people have historically worked. Building that future isn't easy, but it's necessary so technology can drive us towards the best customer experience."

— Bob Bastian, global digital CIO, and CIO of US retirement and insurance businesses, Prudential Financial

# Sustainability outlook: Insurers should set sights beyond compliance concerns to make ESG a competitive differentiator

**M**ANY INSURERS AROUND the world have taken significant steps to build an organizational infrastructure addressing the multitude of challenges posed by environmental, social, and governance concerns, gathered under a single and sometimes unwieldy “ESG” umbrella. Some have appointed chief sustainability officers or their equivalent to spearhead reporting, compliance, and mitigation initiatives.<sup>63</sup> This task is unlikely to get easier anytime soon, with each element posing its own potentially thorny economic, legal, and reputational risks.

Yet, how effectively and transparently insurers respond to increasingly vigilant stakeholders—from regulators and rating agencies to sustainability assessment firms, as well as investors and their own employees—will likely determine their ability to adhere to a “higher bottom line,”<sup>64</sup> in which the impact of their ESG efforts on society could be as important as their traditional financial statements.

Up until now, most insurers have been focused on responding to mounting calls for more data and specific statistical commitments rather than

proactively seeking opportunities to make ESG initiatives a differentiating part of their go-to-market strategy and corporate culture. They’ve also generally been focused on regulatory compliance and bolstering enterprise risk management, rather than innovating to differentiate and establish themselves as ESG leaders in thought and action.

Insurers are likely to be judged not just by plans laid out in annual sustainability reports, but by how their initiatives actually 1) limit the impact of climate change and other nascent systemic environmental risks<sup>65</sup> while addressing carbon emissions at the source; 2) diversify their leadership and workforce; 3) enhance inclusivity of their products and services; and 4) increase transparency and accountability in their governance structures.

While transitory economic and political developments may affect implementation, globally or regionally, how these four overriding goals are reflected in strategic planning, investment priorities, and budget decisions could very well determine an insurer’s reputation and competitive position in an increasingly socially conscious economy.

“For most companies, having a sustainability plan is no longer a differentiator but an expectation from customers and employees. As a strong global franchise, we have an important role to play in the transition to a world where net-zero carbon emissions are a reality. Having a Chief Sustainability Officer in place is incredibly important, but most effective if the position is senior enough in the organization and if the person has a business mindset. The CSO’s role is to act as a conductor among the different businesses and orchestrate change across stakeholders.”

— Sarah Chapman, global chief sustainability officer, Manulife<sup>66</sup>

## Product innovation and risk-transfer offerings may be key to mitigating climate risk

World leaders are coalescing around the goal of cutting carbon emissions by half within this decade to have a chance of staying below the significant tipping point of a 1.5 degree rise in global warming.<sup>67</sup> In line with the Paris Agreement, there are calls for fossil fuels in general and coal in particular to be phased out by 2040.<sup>68</sup>

Insurers are well-positioned to be among those standing at the cusp of the transition to a low-carbon economy, given their crucial roles as both underwriters of, and institutional investors in, carbon-intensive industries.

To start, since more innovation is likely in order to facilitate the drive toward net-zero, insurers could help mitigate climate exposures through tweaking of existing policies and creation of new risk-transfer products. For example, more property carriers could cover retrofitting with sustainable building materials, while additional auto insurers might offer premium discounts to incentivize the use of electric vehicles.<sup>69</sup> Insurers could also launch new coverages and services mitigating physical and transition risks for both emerging alternative energy industries and legacy producers transitioning to more sustainable sources.<sup>70</sup>

This could make good sense from both a societal and business perspective, as the Swiss Re *SONAR 2020 risk insights* report predicts that by 2050, emerging technologies such as carbon capture and storage have the potential to grow to a size that may rival today’s oil and gas industries.<sup>71</sup>

Many European carriers continue to lead insurance industry efforts to limit carbon emissions through their underwriting and investment portfolios. Aviva declared itself the first major insurer to target net-zero by 2040; setting timelines to divest and stop underwriting insurance for companies making over 5% of revenue from coal or less conventional fossil fuels such as tar sands or oil shale, unless they have signed on to the Science Based Targets initiative.<sup>72</sup>

More European carriers are also joining forces with other companies to address climate risk at the source as well as enhance scrutiny of climate transition plans.<sup>73</sup> Multiple European carriers, for instance, have become members of the Net-Zero Insurance Alliance—a United Nations initiative that brings together insurers from around the world—emphasizing their role in the transition to a carbon-neutral economy, as well as in helping create a methodology allowing carriers to measure emissions from underwriting and empowering them to find ways to reduce them through innovation.<sup>74</sup>

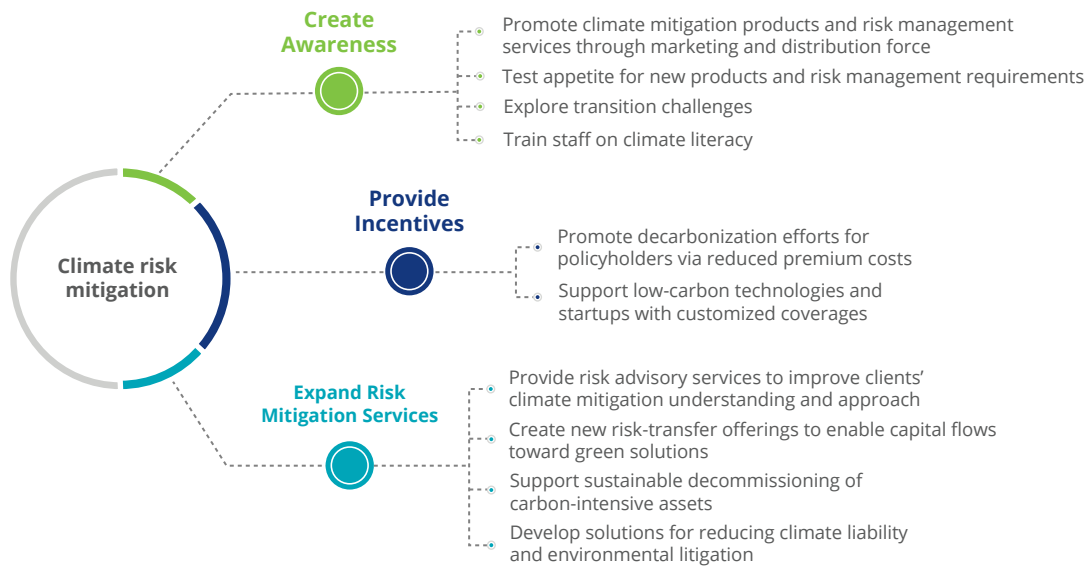
While US insurers have been working on mitigation and adaptation efforts for quite some time to limit the impact of climate risk, they have generally lagged behind European counterparts in addressing the underlying source of greenhouse gases and associated energy transition risks. This is likely due to a lag until recently in US regulatory pressure and a less conducive domestic political environment.<sup>75</sup> But increasing stakeholder demands on US carriers are now prompting more

focus on limiting the cause rather than just the effect of climate risk.

There are a number of steps insurers should consider that could accelerate climate risk mitigation across the value chain (figure 8), from introducing new products, services, and premium incentives, to raising awareness and adding risk management services.

FIGURE 8

### How might insurers accelerate climate risk mitigation?



Source: Deloitte analysis.

## Insurers pressed to move further, faster from words to deeds on diversity, equity, and inclusion (DEI)

Since there is generally strength in numbers, some industry associations and individual carriers are forming groups to address the social (“S”) challenges and increased focus on societal issues within ESG.

For example, the American Council of Life Insurers developed its Economic Empowerment & Racial Equity Initiative, making diversity and inclusion a priority for the industry by emphasizing four key areas: 1) expanding access to affordable financial security in underserved markets, 2) advancing diversity and inclusion within companies and on corporate boards, 3) enhancing economic empowerment through financial education, and 4) expanding investments in underserved communities.<sup>76</sup>

External pressure emphasizing action over words is also mounting. The National Association of Insurance Commissioners created a Special (EX) Committee on Race and Insurance to help regulators keep track of progress and spur greater action on DEI issues.<sup>77</sup>

While many insurers are taking steps to diversify their workforce, large gaps remain in the industry as a whole—particularly at the executive level.

Racially and ethnically diverse professionals comprise approximately 24% of the industry’s entry-level workforce but only 8% of senior and executive management. And while there are more women (approximately 57%) in entry-level ranks, just 12% of them are racially and ethnically diverse women. Only 18% of the total senior and executive management positions are filled by women, and only 3% of executives reporting to CEOs are racially and ethnically diverse women.<sup>78</sup>

Insurers should be considering several internal options to bolster DEI efforts and results (figure 9).

There are several existing programs insurers could join to enhance racially and ethnically diverse recruitment efforts. The American Property Casualty Insurance Association, for example, collaborated with a number of carriers to create Insurance Apprenticeship USA, designed to attract, develop, and retain younger workers and those from underserved communities into the industry.<sup>79</sup> The initiative was unveiled at the first Women & Diversity: Expanding Opportunities in Insurance conference.<sup>80</sup>

The Black Insurance Industry Collective, a nonprofit affiliated with The Institutes, was launched in 2020 to accelerate the advancement of Black insurance professionals and increase representation of Black leaders at the executive level.<sup>81</sup> In addition, UNI Europa Finance formed a joint declaration with European insurers “to ensure employees are treated equally, with respect and dignity—regardless of factors such as gender, age, disability, and including LGBTQIA+, trans and intersex workers.”<sup>82</sup>

## Effective governance framework should foster transparency

The World Economic Forum (WEF) recommends 21 core and 34 expanded ESG metrics and disclosures around four interdependent pillars: Planet, People, Principles of Governance, and Prosperity.<sup>83</sup> On climate risk, insurers are being asked to adopt recommendations of the Task Force on Climate-related Financial Disclosures, with a timeline of at most three years for full implementation, disclosing greenhouse gas emission targets in line with goals of the Paris Agreement. On human capital, insurers are advised



FIGURE 9

## How might insurers make social equity a bigger part of their culture?



Source: Deloitte analysis.

on disclosure of workforce demographics by age, ethnicity, gender, and other diversity indicators.

The Sustainable Finance Disclosure Rule—part of the 2030 Agenda for Sustainable Development of the European Union and the United Nations—was introduced to boost transparency surrounding sustainability claims made by financial market participants and improve the market for sustainable investment products. The EU directive aims to encourage about €1 trillion into green investments over the next 10 years, address

inconsistency in climate-related information from financial market participants, and give sustainable product providers a competitive boost.<sup>84</sup>

The US Securities and Exchange Commission (SEC) also proposed disclosure of Scope 1, 2, and 3 greenhouse gas emissions, while advising carriers to put climate risk management teams in leadership positions to provide oversight and guidance as well as uniform, consistent, and transparent public communication.<sup>85</sup>

“The regulator has social demands in ESG to strengthen human capital initiatives. We assess the demands of ESG agencies through a corporate value enhancement lens. It is necessary to reduce the burden on insurers by standardizing regulations and evaluation standards among stakeholders.”

— Ryosuke Fukushima, head of sustainability promotion division, Kampo

While external ESG ratings firms provide some externally vetted transparency about insurer actions and progress, as reporting responsibilities keep growing, the sheer volume of data requests and behavioral examinations could overwhelm relatively small insurer sustainability teams and keep them from taking on more strategic roles. Insurers should, therefore, consider empowering CSOs with more resources—both in terms of direct reports and ESG liaisons spread throughout the organization—while including sustainability benchmarks in leadership performance evaluations considered when determining compensation and promotions to establish greater accountability.<sup>86</sup>

Part of the problem is that the lack of standardization among requests from ESG reporting agencies has been cited by insurers as often leading to duplication of effort and a waste of limited resources.<sup>87</sup> Insurers should be stepping up efforts to establish more consistency in such assessments, collaborating with other industries to bring about a common reporting language and convergence in international sustainability standards. Internally, insurers should be integrating new technology tools that automate ESG data collection and improve reporting efficiency.

“Sustainability is everybody’s responsibility. A mindset should be established so that everybody in the organization aims to be an ESG champion. To accomplish this, ESG literacy programs have been launched here . . . However, a top-down governance approach is also critical. It is important to set up a sustainability governance committee and lay down a clear charter around ESG strategy, tactics, and processes. There should be transparency in what is being planned and done, with results measurable and achievable—and not just for regulatory purposes.”

— Francis Hyatt, chief sustainability officer, Liberty Mutual

# M&A outlook: Activity slowing from uncertain economy

**G**LOBAL MERGER AND acquisition (M&A) activity remained robust through 2021, with 418 completed deals in the insurance sector, up from 407 in 2020.<sup>88</sup> However, largely due to lingering economic uncertainties,<sup>89</sup> activity involving insurance underwriters slowed in the first quarter of 2022 with a total of 30 deals at an aggregate value of US\$12.09 billion<sup>90</sup> compared to 46 transactions at a combined value of US\$22.72 billion in the first quarter of 2021.<sup>91</sup>

Deal volume involving insurance agents and brokers, however, rose to 427 in the first half of 2022, a 16% increase over the same period last year and 13% above the first-half five-year average, as brokers looked beyond traditional M&A targets.<sup>92</sup> Aggregators and PE firms continue to be some of the most active players as brokers tend to be easier to acquire, scale up, and sell in comparison to blocks of insurance business.<sup>93</sup> Consolidation was highest among small-and middle-market players in the highly competitive market, commonly with low bargaining power when dealing with insurers and less talent to support diverse market needs.

Going forward, instability and uncertainty in the global economic and political landscape is expected to drive the volume of cross-border deals lower, making 2022 forecasts more challenging to predict.

Persistent high inflation this year is pressuring nonlife insurer profitability, which may prompt more carriers to expand via M&A into nonstandard lines.<sup>94</sup> In that same vein, M&A prospects will likely

continue to include managing general agents (MGAs), which are being pursued by both PE investors and strategic players, as an MGA generally experiences margin accretion and has deeper reach into the insurance ecosystem.

In the life insurance segment, players across all regions are expected to continue to divest noncore books of business to redirect funds and bridge gaps in core product offerings or upgrade technology capabilities.<sup>95</sup> Moreover, volatile markets are prompting sales of market-linked assets such as variable annuities. Prudential sold a US\$31 billion block of legacy variable annuities to Fortitude Re for US\$2.2 billion to help derisk its portfolio.<sup>96</sup> PE-backed aggregators are increasingly investing in life insurer businesses to grow their assets under management. For example, since July 2021, Blackstone announced the US\$2.8 billion acquisition of Allstate's life insurance unit,<sup>97</sup> as well as a strategic partnership with American International Group (AIG) for a 9.9% equity stake in its life and retirement business for US\$2.2 billion.<sup>98</sup>

Despite a slowdown in investment, InsurTechs are likely to remain sought-after as investment vehicles, partners, and for acquisitions. Life insurers challenged by legacy technologies may look to acquire or align with InsurTech companies to accelerate digitization. In April 2022, Munich Re US agreed to acquire Clareto, a medical record retrieval company to optimize life insurance underwriting.<sup>99</sup>

Going into 2023, insurers should be strategic in deciding which markets, products, and customers will be most beneficial to target and reposition portfolios to unlock and redeploy capital, particularly in the turbulent economic environment.

In addition to pure acquisitions or divestures, inorganic growth will potentially include other forms of alliances. For example, as digitization

shifts from “nice to have” to “must have,” insurers still challenged with implementation may consider partnerships and acquisitions outside of insurance to create a platform for their solutions. This may align with new or renewed interest by adjacent financial services and technology giants with data analytics capabilities to partner with insurance incumbents and extend or expand their presence in the marketplace.

# Finance outlook: New accounting rules put public insurers in the spotlight

THOSE RESPONSIBLE FOR managing insurer financials at public companies have spent five years preparing for the long-anticipated implementation of new accounting standards covering long-duration contracts such as life insurance and annuities. This was no simple or inexpensive task, as the industry will likely have spent between US\$15 billion and US\$20 billion on finance transformation initiatives to adapt their systems, according to a survey of 312 carriers from 50 countries by WTW.<sup>100</sup>

On January 1, 2023, International Financial Reporting Standards (IFRS) 17 goes into effect, determining how insurance contract assets and liabilities are presented on balance sheets.<sup>101</sup> While the United States is one of the few countries not to adopt IFRS 17, American carriers have been on a parallel regulatory track, facing the same deadline for implementing the US GAAP counterpart on Long Duration Targeted Improvements (LDTI) rules promulgated by the Financial Accounting Standards Board.<sup>102</sup> Insurers with both US and global operations have had to manage implementation of both simultaneously.

Insurers should have most, if not all, elements in place by now to comply. Tweaks will likely be necessary both during fourth-quarter testing and after the January 1 launch, but the tech and process infrastructure has likely already been laid. For the moment, insurers should be focused on assembling their data and narrative to address

questions about the execution and impact of these accounting changes from federal and state regulators, rating agency and stock analysts, and other external stakeholders.

Additionally, the updated standards significantly increased collaboration between actuaries, accountants, and financial planning and analysis professionals. Insurers should consider what changes to their finance operating models, organizational structures, and talent models may be necessary to execute the updated standards as efficiently as possible.

However, while IFRS 17 and LDTI requirements were catalysts for major finance system changes, these investments should also serve as the foundation for more comprehensive and proactive transformation initiatives. Insurers should be turning their attention next year beyond regulatory compliance to enhanced data management and utilization capabilities that ultimately generate greater insights and improved performance.

For example, many carriers moved their ledgers to the cloud to make data more accessible for collection and reporting. But after that relatively modest goal is accomplished, the challenge ahead will likely be how to make data in general more actionable for innovation and growth through advanced analytics and artificial intelligence across the enterprise.<sup>103</sup>

Keep in mind that nonpublic insurers—such as mutuals and carriers owned by private equity—are not due to be in compliance until January 2025. Such carriers will likely benefit from lessons learned by public companies on their IFRS/LDTI journey. They should already be moving to lock in those trained and experienced resources becoming available now that preparation for public companies is nearing completion, to help guide nonpublic insurers in finance transformation and regulatory implementation.

Looking ahead, the next big reporting challenge for finance departments is likely to be increasing demands for information about ESG issues—from climate risk in underwriting and investments, to diversity and inclusion in staffing and leadership, to financial equity in coverage availability and pricing.

In this case, pressure for more data is coming from multiple sources—both governmental and private agencies. Yet, unlike with accounting changes, standards are lacking among nations and ESG assessment firms, often creating duplication of effort, additional time and costs, and confusion.

## What's next for insurance tax leaders?

Moving forward, insurance tax departments should remain vigilant and be prepared for the uncertainty posed by the potential for global tax reform, such as Pillars 1 and 2 put forth by the Organisation for Economic Co-operation and Development (OECD). Further, US tax reform will likely be needed to conform with these global tax changes. Specifically, OECD Pillar 2 introduces a global minimum tax based on book income with a number of tax adjustments.

Insurance tax departments should be proactive and invest early in analysis and modeling exercises to assess the impact of potential tax reform. Given the complexity and significance of these coordinated worldwide changes, reliable tax models will likely call for the aggregation of new and detailed data—much of which may not be currently collected and readily available. These trends toward tax complexity and the recurring tax talent gap should prompt insurers to continuously assess their department operating models.

In addition, insurance tax departments should remain close to their business units, so they are prepared to respond to legislative and regulatory developments prompted by economic uncertainty and changing marketplace landscapes. For instance, insurers should be closely monitoring the impact of rising interest rates on their company's investment portfolios, while considering tax planning opportunities and risks for potential investment losses.

Another example of uncertainty is the future tax treatment of cryptocurrencies. Insurers investing in the digital asset market or accepting premiums in such alternative currencies should be anticipating and managing tax risks of widely fluctuating crypto value, in part by complying with various jurisdictional tax regimes and closely monitoring upcoming legal and regulatory developments.

Meanwhile, with many carriers already developing ESG-targeted strategies, this may be an opportunity for insurers to assess their tax footprint and strategy, as well as articulate a narrative for their client base and regulators. Insurance company tax departments should stay close to the business initiatives being planned and implemented, as various countries may continue to introduce tax-specific ESG reporting measures.

# The final frontier: Changing culture as the ultimate enterprise transformation

**T**HERE WILL LIKELY be plenty of “difficult situations” in the year and decade ahead—hopefully not as overarching as a global pandemic, but challenging, nevertheless. Yet that shouldn’t prompt insurers to be overly cautious or react defensively. Instead, they should seek to maintain the entrepreneurial, can-do mindset often displayed during the COVID-19 outbreak, which helped them nimbly transform fundamental aspects of their operations for a more digital and virtual economy.

If insurers were able to adapt and innovate so quickly and effectively under such crisis conditions, what might be preventing them from doing so on an ongoing basis? Rather than falling back on pre-pandemic operating procedures and business models, insurers should keep experimenting with new ways of providing coverage and serving customers. They should remain on offense by positioning to thrive over the long term in a rapidly evolving, more socially aware market.

One path could be striving to engage more proactively and collaboratively with those in underserved communities as customers and employees, managers, and senior leadership. Another could be balancing the need to keep legacy

energy risks covered in a global economy still heavily dependent on fossil fuels even while facilitating and accelerating the transition to more sustainable sources.

Internally, many insurers have already invested heavily to enhance legacy operations with a host of new technologies and data sources, while boosting the capabilities of their people to take full advantage of these upgrades. The shift from laying this new foundation to fulfilling its potential is likely to remain a major challenge in the coming years, deserving of ongoing attention and investment.

However, to fully transform into the insurer of the future, carriers should also strive to keep evolving their foundational culture—from a focus on risk reduction to one marked by risk-taking innovation and broader, bolder reinvention.

As evolution in society, technology, and the global economy continues to speed up, insurers that can keep pace and maintain a commitment to transformative change will likely be among those best positioned to excel against slower-to-adapt legacy carriers as well as new forms of competition already here and yet to emerge.

## Endnotes

1. "Sigma 4/2022, World insurance: inflation risks front and centre", Swiss Re.
2. Allianz Research, *Allianz Global Insurance Report: A decisive decade*, May 24, 2022.
3. Ibid.
4. Marsh, *Global Insurance Market Index Q2 2022 – Global insurance markets: Moderation in pricing increases continues*, 2022.
5. Verisk and American Property Casualty Insurance Association (APCIA), "Property and casualty insurers experience underwriting loss in 2021, but remain strong," press release, May 26, 2022.
6. Insurance Information Institute and Milliman, "Expect loss pressures to continue in the P&C industry due to inflation, supply chain, and riskier driver behavior, new Triple-I/Milliman report shows," press release, May 12, 2022.
7. Insurance Information Institute, "Social inflation: Hard to measure, important to understand," July 17, 2022.
8. Verisk and APICIA, "Property and casualty insurers experience underwriting loss in 2021, but remain strong."
9. Tim Zawacki, "US P&C Insurance Market Report: Inflation to push combined ratio past 100%," S&P Global Market Intelligence, June 29, 2022.
10. Matthew Lerner, "Inflation hits property catastrophe reinsurance renewals," *Business Insurance*, June 7, 2022.
11. Luke Gallin, "77% expect some carriers will fail to obtain sufficient reinsurance at June 1: Survey," *Reinsurance News*, May 26, 2022.
12. Guidewire Software, Inc., *Are insurers moving with changing times and tastes? The 2022 State of the UK Insurance Customer Attitudes Study*, June 22, 2022.
13. Kelly Cusick and Sam Friedman, *How to reinvent the small-business insurance market for a digital economy*, Deloitte Insights, March 31, 2022.
14. Howden, "Ukraine war and cyber resilience combine to temper global ransomware activity," June 6, 2022.
15. LIIBA, "Net zero opportunity big enough to double size of London market, says LIIBA," press release, May 2, 2022.
16. Ibid.
17. Neal E. Boudette, Cade Metz, and Jack Ewing, "Tesla Autopilot and other driver-assist systems linked to hundreds of crashes," *New York Times*, June 15, 2022.
18. Holden Benon, "Exploring split usage-based insurance for autonomous vehicles," *NU Property Casualty 360°*, June 16, 2022.
19. Robin Merttens, *Insurance: To embed, or not to embed*, InsTech London, June 2021.
20. Kevin Kalinich, "Commercial clients short on intangible-asset insurance," *NU Property Casualty 360°*, June 13, 2022.
21. Britt Van Dalen, Kelly Cusick, and Andy Ferris, *The rise of the exponential underwriter*, Deloitte Insights, February 24, 2021.
22. Michael Cline and Kedar Kamalapurkar, *Preserving the human touch in insurance claims transformations*, Deloitte Insights, October 12, 2021.



23. "Sigma 4/2022, World insurance: inflation risks front and centre", Swiss Re.
24. Ibid.
25. Michelle Canaan and Puneet Kakar, *Financial inclusion and the underserved life insurance market, part two*, Deloitte Insights, March 23, 2022.
26. Ibid.
27. "Sigma 5/2021, Turbulence after life-off: Global economic and insurance market outlook 2022/2023", Swiss Re.
28. Michelle Canaan and Puneet Kakar, *Financial inclusion and the underserved life insurance market, part two: Closing the US coverage gap to drive growth and bolster DEI*, Deloitte Insights, March 23, 2022.
29. InsuranceNewsNet, "Life insurance outlook is stable for 2022 as recovery continues," press release, December 1, 2021.
30. Fitch Ratings, *Fitch ratings 2022 outlook: U.S. life insurance*, December 7, 2021.
31. InsuranceNewsNet, "Life insurance outlook is stable for 2022 as recovery continues."
32. Nichola Saminather, "Manulife, Sun Life say they are raising premiums to offset cost inflation," Reuters, February 10, 2022.
33. "Sigma 4/2022, World insurance: inflation risks front and centre", Swiss Re.
34. Observations and commentary collected by the Deloitte Center for Financial Services during conversations with insurance industry executives, May–June 2022.
35. Jim Molis, "Employers are doing a checkup on their employee dental benefits," *Phoenix Business Journal*, December 7, 2021.
36. Denise Garth, David Schmitz, Abhishek Bakre, and Abhishek Chowdhury, *The new reality and future of group and voluntary benefits*, Majesco and Deloitte, October 2021.
37. Guardian Life, *Digital overdrive: The market is ready for the next milestone in benefits technology innovation*, January 2021.
38. National Conference of State Legislatures (NCSL), "State Family and Medical Leave Laws," July 13, 2022.
39. Observations and commentary collected by the Deloitte Center for Financial Services during conversations with insurance industry executives, May–June 2022.
40. Deloitte, "Deloitte's group insurance broker sentiment survey," August 27, 2021.
41. US Bureau of Labor Statistics, "Number of people 75 and older in the labor force is expected to grow 96.5 percent by 2030," *Economics Daily*, November 4, 2021.
42. Mikaela Parrick, "Attracting millennials to the insurance industry: A complete guide," Brown & Joseph, December 9, 2018.
43. Aviva, "Gender divisions in work life beyond the pandemic," press release, July 12, 2021.
44. Swiss Re, "Swiss Re GBS India signs MoU with IIRM to enhance capability building programs in India's insurance industry," press release, June 29, 2022.
45. Zurich, "Part-time hires double since launch of flexible work initiative," press release, January 7, 2022.
46. Enoch Yiu, "Flight attendants laid off during pandemic find new career as high-flyers in Hong Kong SAR's booming insurance industry," *South China Morning Post*, February 15, 2021.

47. Alison Griffin, "Talent transfer: Behind Prudential's push for internal re-skilling and upward mobility," *Forbes*, May 18, 2021.
48. Anna Beninger, "The future of work: How the insurance industry needs to shift its thinking to attract diverse talent," AXA XL, June 8, 2022.
49. Interview with Jen Warne, executive vice president, chief people officer, Lincoln Financial Group, by the Deloitte Center for Financial Services, June 17, 2022.
50. Interview with Sonia Boyle, chief people officer, Gore Mutual Insurance, by Deloitte Center for Financial Services, June 10, 2022.
51. Observations and commentary collected by the Deloitte Center for Financial Services during conversations with insurance industry executives, May–June 2022.
52. Ibid.
53. Ibid.
54. Joanna England, "Why customer centricity is driving insurtech growth," *InsurTech Digital*, May 2, 2022.
55. Venture Scanner data, analyzed by Deloitte Center for Financial Services, accessed July 1, 2022.
56. Cindy MacFarlane, Sam Friedman, and Namrata Sharma, *How to walk the talk by treating insurer data as a strategic asset*, Deloitte Insights, July 26, 2022.
57. David Schatsky, "Are you low-code yet? Your competition likely is," *CIO Journal*, October 2, 2020.
58. CoverGo, "XN Worldwide Insurance adopts the CoverGo platform to streamline their insurance ecosystem," press release, October 6, 2021.
59. Observations and commentary collected by Deloitte Center for Financial Services during conversations with insurance industry executives, May–June 2022.
60. Brian Campbell, Nicholas Merizzi, and Diana Kearns-Manolatos, *The industry cloud opportunity*, Deloitte Insights, February 10, 2022.
61. Jeff Loucks, Tom Davenport, and David Schatsky, *State of AI in the enterprise, 2nd edition*, Deloitte Insights, 2018.
62. Alex Tolsma, "GDPR and the impact on cloud computing," Deloitte, June 24, 2022.
63. David Sherwood, Kristen Sullivan, and Sam Friedman, *Building a more sustainable insurance industry*, Deloitte Insights, August 3, 2021.
64. Monica O'Reilly, Dounia Senawi, Jim Eckenrode, and Eamonn Kelly, *A higher bottom line: The future of financial services*, Deloitte, May 2021.
65. Amy Cortese and Isaac Silk, "Biodiversity is the new climate change," *ImpactAlpha*, February 4, 2021.
66. Punit Renjen, "2022 CxO sustainability report: the disconnect between ambition and impact," Deloitte, January 20, 2022.
67. Intergovernmental Panel on Climate Change (IPCC), "Summary for policymakers of the IPCC special report on global warming," 2019.
68. Paola A. Yanguas Parra et al., *Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5° C*, *Climate Analytics*, September 2019.
69. Neal Baumann, Greg Lowe, David Rush, et al, *Climate product innovation within the insurance sector* (Cambridge, UK: Cambridge Institute for Sustainability Leadership, 2021).

70. Ibid.
71. Swiss Re, SONAR 2020: New emerging risk insights, June 2022; Elena Logutenkova, "Carbon capture and storage - Emerging risk or opportunity?" Swiss Re Insights, August 21, 2020.
72. Aviva, "Aviva becomes the first major insurer worldwide to target Net Zero carbon by 2040," press release, March 1, 2021.
73. Joey Galloway, Rohit Sharma, and Greg Lowe, "Insuring the transition: Getting started on the journey to Net Zero Underwriting," Deloitte Financial Services Blog, July 5, 2022.
74. UN Environment Program Finance Initiative, "Net-Zero Insurance Alliance," July 2021.
75. Russ Banham, "ESG in insurance underwriting: European insurers lead the way," Carrier Management, February 3, 2021.
76. American Council of Life (ACLI), "American Council of Life Insurers steps forward with industry leadership initiative for economic empowerment and racial equity," press release, October 12, 2020.
77. National Association of Insurance Commissioners (NAIC), "NAIC announces special committee on race and insurance," press release, July 23, 2020.
78. Irma Reboso Solares, "Insurance industry leads on DEI initiatives," Carlton Fields, January 11, 2022.
79. APCA, "APCIA launches 'Insurance Apprenticeship USA' to expand opportunities in the insurance sector," press release, March 2, 2020.
80. Ibid.
81. Black Insurance Industry Collective (BIIC), "New industry initiative launches to advance racial diversity and equity: Black Insurance Industry Collective to expand leadership development for Black professionals," press release, April 27, 2022.
82. European Agency for Safety and Health at Work, "Diversity, inclusion and non-discrimination for Europe's insurance workers," March 8, 2022.
83. World Economic Forum (WEF), "Global business leaders support ESG convergence by committing to Stakeholder Capitalism Metrics," news release, January 26, 2021.
84. Cary Springfield, "What is the Sustainable Finance Disclosure Regulation?," *International Banker*, April 13, 2021.
85. Russ Banham, "Insurers brace for SEC climate risk disclosure rules," Carrier Management, June 28, 2022.
86. Sherwood, Sullivan, and Friedman, *Building a more sustainable insurance industry*.
87. Ibid.
88. Surina Nath, "What to expect from insurance M&A in 2022 - Clyde & Co report," *Insurance Business*, March 14, 2022.
89. Observations and commentary collected by the Deloitte Center for Financial Services during conversations with insurance industry executives, May-June 2022.
90. Komal Nadeem and Husain Rupawala, "M&A volume dips YOY across insurance industry in Q1," S&P Global Market Intelligence, April 5, 2022.
91. Ibid.
92. Gavin Souter, "Broker acquisitions keep rolling in 2022 first half," *Business Insurance*, July 18, 2022.

93. Nadeem and Rupawala, "M&A volume dips YOY across insurance industry in Q1."
94. Mark Purowitz, Douglas Sweeney, and Ian Sparshott, *2022 insurance M&A outlook: Riding the wave*, Deloitte, 2021.
95. Ibid.
96. Prudential, "Prudential Financial to sell \$31B PALAC block of legacy variable annuities to Fortitude Re," press release, September 15, 2021.
97. Allstate, "Allstate announces agreement to sell Allstate Life Insurance Company," press release, January 26, 2021.
98. AIG, "AIG and Blackstone close transaction relating to Life & Retirement business," press release, November 2, 2021.
99. Allison Bell, "Munich Re agrees to acquire Clareto," ThinkAdvisor, April 13, 2022.
100. WTW, "Global insurance industry faces IFRS 17 costs estimated at US\$15 to US\$20 billion," press release, June 7, 2021.
101. Deloitte Global, "International Accounting Standards Board: About the IASB," accessed August 9, 2022.
102. Deloitte Consulting LLP, "What lies ahead on your LDTI journey?," accessed August 9, 2022.
103. Cindy MacFarlane, Sam Friedman, and Namrata Sharma, *How to walk the talk by treating insurer data as a strategic asset*.

# Acknowledgments

This report was researched and coauthored by **Namrata Sharma** and **Dishank Jain**.

The Center would like to thank the Deloitte professionals who provided additional insights and perspectives in the development of this outlook in the following areas:

## US leaders

- **Karl Hersch** (US national sector leader/Consulting leader)
- **Rich Godfrey** (Advisory)
- **Joe DeSantis** (Audit)
- **Doug Welch** (Life insurance)
- **Mark Yoest** (Group insurance)
- **Chris Albert** and **Chris Puglia** (Tax)
- **Kelly Cusick** (P&C insurance)
- **David Sherwood** (Regulatory/ESG)

## Global leaders

- **Karl Hersch** (US national sector leader)
- **Neal Baumann** (Global Financial Services Industry leader)
- **Claude Chassain** (France)
- **Andy Masters** (UK)
- **James Colaco** (Canada)
- **Tim Pagett** (APAC)
- **Holger Froemer** (Japan)
- **Arthur Calipo** (Australia)

## Regional subject matter specialists

- **Joerg Guenther** (Germany)
- **Simon Walpole** (Switzerland)
- **Eric Meistermann** (France)
- **Kurt Mitzner** (Germany)
- **Andreas Poggi** (Italy)

**Subject matter specialists**

- Nonlife insurance: **Kelly Cusick, Mark Patterson, Jordan Kuperschmid, Johal Gurpreet**
- Life insurance: **Kevin Sharps, Doug Welch, Puneet Kakar**
- Group insurance: **Mark Yoest, Abhishek Bakre**
- Talent: **Nicole Holger, Jeff Goodwin, Anna Nowshad (FoW), Tina Whitney, Andy Liakopoulos, Nicole Scoble-Williams (FoW), Holger Jens Roger Froemer (FoW)**
- Technology: **Arun Prasad, Missy Goldberg, Pil Chung, Matt Cahill, Subhasis Mukherjee, Ranjit Bawa, Ashish Agarwal, Anshul Chopra, Akash Ayal, Daniel Soo**
- ESG: **Cristina Brodzik, David Sherwood, Joe Guastella, Kristen Sullivan, Greg Lowe, Rohit Sharma**
- Mergers & acquisitions: **Doug Sweeney, Mark Purowitz**
- Finance transformation: **Wallace Nuttycombe, Bryan Benjamin, Jay Coue, Stephen Keane**
- Tax: **Chris Albert, Eli Katz**

## About the authors

### **Karl Hersch | [khersch@deloitte.com](mailto:khersch@deloitte.com)**

Karl Hersch is Deloitte's US Insurance leader responsible for leading the firm's overall insurance sector strategy and bringing the firm's practice areas together to serve Deloitte's portfolio of insurance clients. Throughout his 30-year career, Hersch has served the financial services and insurance industries extensively, providing him with a well-rounded understanding of the most complex and critical issues clients face. He has experience working across Deloitte's Audit, Advisory, and Consulting businesses and served as the Insurance Finance Transformation practice leader and the FSI Enterprise Performance practice leader.

### **Neal Baumann | [nealbaumann@deloitte.com](mailto:nealbaumann@deloitte.com)**

Neal Baumann leads Deloitte's Global Financial Services Industry practice. He has 20 years of experience advising financial services and insurance company clients on corporate and competitive strategies across industry segments, including life insurance, wealth management and premium financial services, investment and funds management, superannuation and pensions, and retail banking. Baumann has had advisory and consulting roles in the United States, Australia, New Zealand, United Kingdom, and across Asia.

### **Michelle Canaan | [mcanaan@deloitte.com](mailto:mcanaan@deloitte.com)**

Michelle Canaan is a manager in the Deloitte Center for Financial Services. As a subject matter specialist for the insurance industry, she produces thought leadership on current and future trends, including strategies and solutions for Deloitte's clients.

### **Sam Friedman | [samfriedman@deloitte.com](mailto:samfriedman@deloitte.com)**

Sam Friedman is a senior manager and the insurance research leader at the Deloitte Center for Financial Services. He joined Deloitte in 2010 after a long career as a leading financial journalist and commentator. He is a frequent contributor to Deloitte Insights, including studies on market strategy, technology and innovation, cybersecurity, operational transformation, and human capital.

## Contact us

*Our insights can help you take advantage of change. If you're looking for fresh ideas to address your challenges, we should talk.*

### China contacts

**David Wu**

Vice chairman  
Financial Services Industry leader  
Deloitte China  
+86 10 8512 5999  
[davidwjwu@deloitte.com.cn](mailto:davidwjwu@deloitte.com.cn)

**Francesco Nagari**

Partner, Global Insurance IFRS leader  
Deloitte China  
+852 2852 1977  
[frnagari@deloitte.com.hk](mailto:frnagari@deloitte.com.hk)

**Barry Man**

Partner, FSI Insurance leader (Chinese Mainland)  
Deloitte China  
+86 10 8520 7386  
[bman@deloitte.com.cn](mailto:bman@deloitte.com.cn)

**William Yin**

Partner, FSI Consulting leader (Hong Kong)  
Deloitte China  
+852 2238 7898  
[williamyin@deloitte.com.hk](mailto:williamyin@deloitte.com.hk)

**Natalie Yu**

Partner, FSI Tax and Business Advisory leader  
Deloitte China  
+86 10 8520 7567  
[natyu@deloitte.com.cn](mailto:natyu@deloitte.com.cn)

**George Han**

Partner, FSI Risk Advisory Insurance leader  
Deloitte China  
+86 755 3637 6998  
[ghan@deloitte.com.cn](mailto:ghan@deloitte.com.cn)

**Eric Yang**

Partner, FSI Deputy leader  
FSI National Audit & Assurance leader  
Deloitte China  
+86 10 8512 5058  
[ericboyang@deloitte.com.cn](mailto:ericboyang@deloitte.com.cn)

**Joanna Wong**

Partner, FSI Insurance leader (Hong Kong)  
Deloitte China  
+852 2852 6724  
[joawong@deloitte.com.cn](mailto:joawong@deloitte.com.cn)

**Fang Ye**

Partner, FSI Risk Advisory leader  
Deloitte China  
+86 21 6141 1569  
[yefang@deloitte.com.cn](mailto:yefang@deloitte.com.cn)

**Eric Lu**

Partner, FSI Consulting Insurance leader  
Deloitte China  
+86 20 2221 5666  
[erilu@deloitte.com.cn](mailto:erilu@deloitte.com.cn)

**Jimmy Chan**

Partner, FSI Financial Advisory leader  
Deloitte China  
+86 10 8512 5618  
[jichan@deloitte.com.cn](mailto:jichan@deloitte.com.cn)



## Industry leadership

### **Karl Hersch**

US Insurance leader

Principal | Deloitte Consulting LLP

+1 973 602 5252 | khersch@deloitte.com

Karl Hersch is Deloitte's US Insurance leader responsible for leading the firm's overall insurance sector strategy, bringing the firm's practice areas together to serve Deloitte's portfolio of insurance clients.

### **Neal Baumann**

Global Financial Services Industry leader

Principal | Deloitte Consulting LLP

+1 212 618 4105 | nealbaumann@deloitte.com

## Deloitte Center for Financial Services

### **Jim Eckenrode**

Managing director | The Deloitte Center for Financial Services

Deloitte Services LP

+1 617 585 4877 | jeckenrode@deloitte.com

Jim Eckenrode is managing director at the Deloitte Center for Financial Services, responsible for developing and executing Deloitte's research agenda, while providing insights to leading financial institutions on business and technology strategy.

### **Sam Friedman**

Senior manager | The Deloitte Center for Financial Services

Deloitte Services LP

+1 212 436 5521 | samfriedman@deloitte.com

## **Deloitte China Center for Financial Services**

The Deloitte China Center for Financial Services is the think tank for our Financial Services Industry Program in China, providing professional industry insights and research support to financial institutions in different arenas, including banking & capital markets, insurance and investment management.

As the core research capability dedicated to the financial services industry, we bring together the findings and insights of financial services industry thought leaders from across the Deloitte global network, sharing our perspectives on key issues including macro policy, industry trends and business management.

### **Charlotte Shen**

Deloitte China Center for Financial Services leader | Partner, FSI Audit & Assurance | Deloitte China  
+86 21 2312 7166 | [charshen@deloitte.com.cn](mailto:charshen@deloitte.com.cn)

### **Lawrence Chen**

Partner, Deloitte China Center for Financial Services | Deloitte China  
+86 10 8512 4058 | [lawrchen@deloitte.com.cn](mailto:lawrchen@deloitte.com.cn)

### **Annie Zhou**

Senior manager, Deloitte China Center for Financial Services | Deloitte China  
+86 10 8512 5843 | [annizhou@deloitte.com.cn](mailto:annizhou@deloitte.com.cn)







# Deloitte.

## Insights

Sign up for Deloitte Insights updates at [www.deloitte.com/insights](http://www.deloitte.com/insights).



Follow @DeloitteInsight

### **Deloitte Insights contributors**

**Editorial:** Abrar Khan, Aditi Gupta, Hannah Bachman, and Dilip Poddar

**Creative:** Natalie Pfaff, and Rahul Bodiga

**Audience development:** Nikita Garia

**Cover artwork:** Natalie Pfaff

### **About Deloitte Insights**

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

### **About this publication**

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.