TRENDS REPORT

EIS 2025 Outlook: **Trends That Will Shape Insurance**

Trends, Predictions, and Imperatives For a Game-Changing Year in Insurance

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Executive Summary: Carriers' Responses to a Wave of Change

2025 has the potential to be a momentous year in far too many ways to list. We can, however, talk with certainty about the trends we expect to see in the insurance industry in response to economic, cultural, technological, and even meteorological shifts.

As you read through these trends and projections, you'll notice a common thread. In one way or another, they hinge on the choice between holding onto the status quo or making moves that carry some risk but have great potential for reward. Also, while many of them involve an increasing reliance on technology, their goals are human-focused.

Here are the key 2025 trends we believe will have major implications for the present, near future, and the long-term outlook of insurance:

- To maximize distribution, insurers must adopt innovative solutions like digitally embedded insurance and intuitive portals for customers, brokers, and agents.
- Insurers will continue to search for viable AI and ML use cases, and their success will depend heavily on responsible practices and a strong data foundation.
- Carriers will adjust to ensure adaptivity to comply with new regulations — and, whenever possible, view these as opportunities, not obligations or roadblocks.
- While some insurers will exit volatile markets due to extreme weather, others will improve risk prediction and mitigation.
- Rising churn rates and underinsurance will drive P&C carriers to position home insurance as a foundation for building strong customer relationships.
- Projected auto insurance price stabilization will be a major opportunity to invest in CX improvements.
- Life insurers will embrace major technological changes and new business models in the face of structural decline.
- Millennials' emergence as the dominant generational demographic presents a major market opportunity for protection insurers: They'll work to sell a generation that's familiar with economic instability — and often more financially savvy as a result — on the value of income protection products.

The trends in the list above reflect the need to embrace digital transformation alongside a customer-focused strategy. Doing so will give carriers what they need to ride 2025's waves of industry evolution and larger macroeconomic forces without drowning under all the change.

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2025: The Culmination of Insurance's Past 20 Years

Technological shifts in insurance have generally involved gradual transitions, after which the new becomes status quo and remains for several decades. (The path from pen-and-paper processes to multi-tier modern legacy core systems — with massive mainframes and early client/server computer infrastructure in between — illustrates this well.) The pace of change isn't necessarily slow, but it isn't fast.

This most recent period of transformation, however, has been faster-paced than anything the industry has previously experienced. The last decade had several developments with massive implications for insurance: moving to the cloud, the proliferation of web and mobile apps, digital distribution, the rise of AI and ML, and more.

Some insurers fully embraced new technologies, while others didn't want to go much further than digitizing paper processes and maybe launching a mobile app. Some carriers tried splitting the difference by adopting advanced point solutions for specific operations (like claims management) and running them atop older infrastructures.

Granted, it's not as simple as saying that early and enthusiastic tech adopters succeeded while the holdouts (or in-betweeners) failed. The crux of the matter is threefold:

1. All insurance processes could be faster, more efficient, more effective, and lessen the burden on staff if they ran atop cloud-native coretech.
2. With that coretech foundation, insurers could go after more opportunities beyond their primary customer base — and do so without overextending themselves. (Digitally embedding credit protection insurance with auto financing or a property mortgage at the point of sale is a great example of this, but as we'll see, it's hardly the only one.)
3. Many of the trends and imperatives listed at the beginning of this whitepaper have been insurance industry priorities (to varying degrees) for nearly 10 years. Now, technology exists to enable them (as legacy tools never could) and there's clear customer demand for digital capabilities. But as it turns out, legacy mindsets are a higher hurdle to clear than legacy technology.

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Seizing Ground on the Distribution Playing Field With New Digital Capabilities

Until fairly recently, many insurers have approached the challenge of maximizing distribution strictly within traditional channels: agents (whether independent or in-house) and brokers. Now that digital distribution channels ranging from price comparison websites to self-service portals and chatbots in carriers' customer-facing apps have entered the playing field, insurers must use all channels available to them to stay competitive.

Carriers that haven't adopted digital distribution methods or are just starting to use them will benefit immensely from accelerating their plans. Meanwhile, those using these channels should take steps to strengthen customer experiences within them — for example, ensuring a seamless and customer-centric journey from one channel (e.g., a chatbot on the insurer's website) to another (like a customer-facing mobile app).

Digital ecosystems supported by cloud-native coretech provide the foundation necessary for these omnichannel experiences, as well as the data fluidity required to add personalization in distribution. Further, better coretech allows insurers to seamlessly integrate with partners and digitally embed insurance into the sale of non-insurance products.

(Given its estimated $3 trillion-plus market value[1], embedded insurance will be one of the most important distribution avenues for carriers to pursue in 2025.)

1 EIS, "Embedded Insurance: A New Route to Growth and Value.

This doesn't mean brokers and agents have a minimized role in future distribution. Equipping brokers and agents with expanded digital capabilities is just as important as embracing new digital distribution channels in the first place. For example, data-rich user portals for these producers allow them to manage their distribution priorities effectively and easily keep track of their compensation from all clients, even with complex commission structures.

Insurers that offer brokers such resources and strenghten their relationships with producers while wholeheartedly embracing digital distribution will have the most success.

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Walking the AI Tightrope

Successful AI use cases seen in 2024 will continue emerging in 2025, like streamlining claims and policy lifecycles for greater efficiency, and using ML to augment analytics and decision-making processes

(particularly in areas like fraud detection).

Carriers may also pursue AI's potential to improve personalization for better marketing, strengthen predictive capabilities for risk assessment, and support more efficient underwriting.

However, AI will pose significant challenges in 2025 that require careful treatment. For example, AI project leaders must establish firm governance over the technology. Everyone involved in these projects, from model programmers and data engineers, to dev teams and business users of finished solutions, must follow this governance to the letter.

There's also the issue of delving into enticing projects without understanding how difficult they'll be to operationalize. One need look no further than the GenAI hype cycle to see how this can unfold unfavorably: Large language models are much more complex than their initial "marketing" would suggest (due, among other factors, to the sizable endeavor required to train them with relevant data). As such, insurers that don't have AI-experienced IT staff (and can't easily onboard them) or lack data-fluid core infrastructure won't be equipped to harness LLMs effectively in 2025.

Some carriers have seen success with hyper-specific GenAI applications, such as leading UK home and auto insurer esure (an EIS customer): They use GenAI to assist call center agents by writing scripts based on historical customer data and what the caller says in real time, so agent responses are thoroughly personalized. This exemplifies the ideal fusion of technology and customer-centricity — unlike, say, entrusting customer service entirely to GenAI chatbots, which a majority of insurance customers aren't in favor of.[1] It'd be more prudent to develop GenAI applications that help carriers develop tailored products structured around customer preferences,[2] such as coverage plans with personalized pricing or policy add-ons that help address their biggest concerns (i.e., utility sensors sold alongside a new home policy).

The success of AI and ML projects depends on a strong foundation of comprehensive and real-time-accurate data. A cloud-native core platform with modular architecture will be best equipped to support this.[3]

2 IBM, "Generative AI in the insurance industry."
3 Ibid.

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Finding Opportunities *Through* Regulatory Compliance

2025 won't change insurance's status as one of the most regulated industries in the world, but there'll be some specific shifts worth discussing.

With the Digital Operational Resilience Act (DORA) taking full effect in the EU in mid-January 2025, resiliency will be on many insurers' minds. The possibility of stricter data privacy regulations and new AI responsibility guidelines must also be considered (and prepared for).

Rather than play a guessing game about every 2025 regulatory shift, insurers should focus on boosting their adaptability for when these changes happen. For example, if you're a US commercial property insurer, you need a core system that allows you to implement changes fairly quickly and easily in accordance with new regulations no matter how widely new rules vary from state to state. Meanwhile, a UK carrier will want to quickly make appropriate price changes in response to changes in the solvency standards. On the other end of things, EU insurers worried about meeting DORA standards must ensure their tech stacks can support the proper system adjustments for post-crash resilience.

Above all, whenever possible, carriers should view new standards as opportunities, not obligations.

Data privacy laws don't have to be a burden. Meeting the requirements and, if possible, going beyond them, shows customers that you value and will protect the personal information they've trusted you with.

Customer protection standards such as the UK's new Consumer Duty regulations have their complexities, sure, but they also give protection carriers a framework to position themselves as protectors of vulnerable customers. Any requirement to communicate more regularly with customers also marks yet another opportunity to put human-centricity forward. Instead of rote, automated forms sent annually around policy renewal time, insurers can send out personalized notes several times each year. These can take many forms:

- Personalized messages of congratulations tied to specific life events, which can include relevant offers for new products, policy add-ons, or cross-sells of partner products
- Health and wellness tips for voluntary benefit customers
- Periodic messages to protection customers offering financial advice (which may involve buying more insurance if appropriate)
- Preparation tips for storm seasons in relevant markets
- Simple reminders explaining how easy it is to reach the carrier's customer service agents with questions or concerns

These are just some of the possibilities.

KEEP IN MIND: Few people (if any) want their email inboxes flooded or hope to receive constant app notifications for any non-urgent reason. But as long as you don't overwhelm customers, they'll likely appreciate this regular communication and believe their carrier considers them more than just policy numbers.

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Taking Risk-Averse or Customer-Focused Approaches to Rising Environmental Risks

It's impossible to ignore the growing intensity of extreme weather.

Three US wildfire seasons from 2015 onward have resulted in over 10 million acres affected, a threshold never before crossed.[4]

Hurricane and typhoon intensity worldwide have both risen steadily since the 1980s,[5] with no signs that this trend might plateau or reverse.

The last 10 years include the two costliest Atlantic hurricane seasons in history. (2017 is #1 at $306.2 billion in damage,[6] and 2024 is over $190 billion[7] with the final figure not yet known.)

Those are just the most headline-grabbing phenomena. You don't hear subsidence — the gradual sinking of land — talked about as much. But it's affecting numerous US cities[8] and has been quietly devastating to the UK[9], with more than 219 pounds sterling paid out in claims. (They're grown more common than flood claims in the country's drought-prone areas.) Similarly, while heat waves don't cause immediate property damage, they certainly contribute to ongoing structural decline.

4 Celent, "Top Tech Trends Previsory: P&C Insurance (2025 Edition)."
5 National Interagency Fire Center, "Total Wildland Fires and Acres 1983-2023."
6 Fourth National Climate Assessment, "Climate Science Special Report."
7 National Oceanic and Atmospheric Administration, "Fast Facts — Hurricane Costs."
8 Ohio University, "2024 Atlantic Hurricane Season."
9 PNAS Nexus, "Slowly but surely: Exposure of communities and infrastructure to subsidence on the US East Coast."
9 Verisk, "Is Climate Change Causing a Huge Surge in UK Subsidence Claims?"

Quite a few carriers have simply stopped doing business (or at least stopped offering major windstorm riders) in hurricane-prone areas. Many more have simply increased premiums, and a significant number are taking far more claims-avoidance actions than they've done in the past.

While these actions are understandable (to a degree) from a business perspective, it's equally true that they can endanger customer loyalty.

In 2025, it may be more effective to invest in offering risk prevention or mitigation solutions to augment coverage: For example, say you sell a home policy along with a water-level sensor and an emergency valve that shuts off water the second a dangerous level is detected. In a world where many home insurance claims are water-damage-related, it's something customers will see as a clear investment in them.

Alternatively, carriers could leverage predictive technologies (e.g., through ecosystem integrations with weather-data providers or partnerships with local governments) to detect an oncoming storm. Then they can contact customers with alerts, projected wind or precipitation severity data, and tips on how to protect their property. This also shows a deep, clear commitment to policyholders' well-being. In areas that have recently seen subsidence-caused home collapses, insurers could send out messages explaining how their customers can take early action to reduce their risk.

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These tactics require coretech that supports real-time data processing and allows seamless omnichannel communications. But in the long run, such investments in risk reduction and customers' well-being are powerful differentiators that help insurers live up to their true human-centric potential.

Using Home Insurance as a Cornerstone for Better Customer Relationships

By its very nature, home insurance has always been a flagship product for many P&C carriers. But the market currently faces a slew of challenges.

Overall costs rose somewhere between 10% and 12% between 2023 and 2024[10]. This is driven by numerous factors, including re-insurance expenses and increased replacement costs (some tied to the rising intensity of extreme weather discussed earlier in this paper).

10 CNN, "The home insurance market is crumbling." (Cites data from the Insurance Information Institute)

These expenses pass on to the customer, causing churn rates to rise as numerous consumers switch to cheaper coverage options or avoid it altogether. Premiums are only projected to increase modestly in 2025, but that alone won't counteract churn. Also, insurers who choose not to renew certain customers' coverage or pull out of risky markets entirely are trading short-term gains for longer-term competitive weakness. (Risk avoidance is a strategy of finite value.)

There may, however, be a customer-centric solution: It starts with treating home insurance sales as gateway opportunities to build strong relationships with policyholders. For example, bundling the weather risk prevention and advisory tools suggested in the section on extreme weather into an initial policy sale immediately shows a clear commitment to the customer.

As the customer lifecycle continues and you gather more data on their activities, life milestones, and preferences, you'll learn what upselling and cross-selling campaigns they'll respond to. And if you build this repository of customer info on data-fluid coretech with event-driven architecture, you can program automated personal messages for certain life milestones (childbirth, marriage, etc) and recommend products based on those milestones. This creates a great foundation for customer loyalty that isn't endangered just because premiums increase or rating factors change.

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Embracing a Golden Opportunity to Boost CX in Auto Insurance

Auto insurance premium inflation looks like it's headed for a downturn due to several factors, including claims costs and vehicle prices both coming down from the high levels seen during the COVID-19 pandemic. As a result, car insurance price increases could slow down.[11]

As a result, car insurance carriers can ease up on the belt-tightening and look to other priorities with major long-term potential — like investing in enriching the customer experience.

Streamlining the quote-to-claim experience with self-service capabilities — mobile claim filing and real-time monitoring, midterm adjustments, even renewal — is one option well worth exploring. It gives customers more control over their coverage and makes things easier for policyholder and carrier.

Another worthwhile possibility is selling embedded safety tech alongside auto coverage: onboard sensors collecting telematics data, dash cams, and so on. In addition to their risk mitigation value, these tools can collect data that gives a more accurate impression of driver behavior and could allow for more accurate pricing (lower premiums for safer drivers, et al).

To enable these and other CX-enhancing strategies, auto insurers must build data-fluid ecosystems for seamless integration with data partners and insurtechs.

11 Barron's, "Car Insurance Price Increases Are Set to Slow. Why Drivers Will Finally Get a Break."

Life Insurance at a Crossroads: How to Move Forward?

More so than other insurance lines, life has hit a point where change is essential to survival. In Western markets, penetration has dropped and the line's global penetration rate is hovering around 3%, down 1.6% from its position in 2000.[12] Changing population demographics are among the biggest drivers of this, as members of the majority generations — millennials and Gen Z — typically don't include life cover on their lists of immediate insurance priorities.

Moreover, the legacy core systems that power life insurers' operations are so outdated that attempting to patch up failing infrastructure piece by piece would be massively cost-inefficient. Full-scale coretech upgrades are the most ideal solution.

Technology alone won't reverse life insurance's structural decline. The small share of carriers (5%) who rate as "best-in-class" achieve this status largely because of the outstanding, highly personalized customer experiences they deliver.[13]

But core platforms that support a holistic view of customer data and allow carriers to build intelligent broker, agent, and customer portals will go a long way toward moving life insurance away from policy-centric business models. In turn, they can move toward a customer-centric approach, where robust digital experiences are the norm. Leveraging these digital capabilities can also help life carriers better communicate the value of their core products, including to younger generations.

12 Atlas Magazine, "The American Insurance Market."
13 Capgemini, "World Life Insurance Report 2025."

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Leveraging Protection's Major Growth Potential as Demographics Shift

Millennial and Gen Z workers comprise the majority of the modern labor force[14] and will continue to do so for many years to come. While they may view life coverage products as something they don't need, they've grown up amid worldwide economic upheaval, ranging from the 2008 financial crisis and subsequent Great Recession to the tailspin caused by the COVID-19 pandemic. As such, they believe in the overall value of income protection — represented by accident and short-term disability coverage as well as financial protection products — more than other generations.[15]

Protection and group benefits insurers seeking to capitalize on this generational need to adopt innovative solutions powered by scalable coretech. Embedding protection directly into consumer touchpoints (like financing for a car or home) is a potential-rich option, but smaller yet still high-value purchases (mobile phones, jewelry, etc.) offer further opportunities to embed protection coverage.

14 US Department of Labor, "Changes in the Generational Composition of the Labor Force."
15 Health & Protection, "Younger generations are biggest supporters of IP."

Meanwhile, carriers selling voluntary benefits can appeal to millennials and Gen Z by partnering with employers that rely on contract workers (and others who don't consistently receive major medical insurance) and embedding their products into the onboarding process.

(As evidence of this opportunity's size, these two generations accounted for 60% of all US freelancers — 45% millennial, 15% Gen Z[16] — in 2023 and those figures seem more likely to increase than drop.)

16 Statista, "Freelance participation in the United States as of 2023, by generation."

Benefits insurers can also cross-sell wearable devices with their products and — with customer consent and in accordance with applicable data privacy laws — use the data to further personalize communications and offers to these customers.

Last but not least, all of these insurers must integrate with channels that younger generations favor — like price comparison websites — to market and sell protection products.

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Conclusion: 2025 Will be a Major Tipping Point

At EIS, we believe 2025 will be a watershed year for insurers' adoption and innovative application of cutting-edge technology. Why? Above all, because the industry's long-term success depends on it.

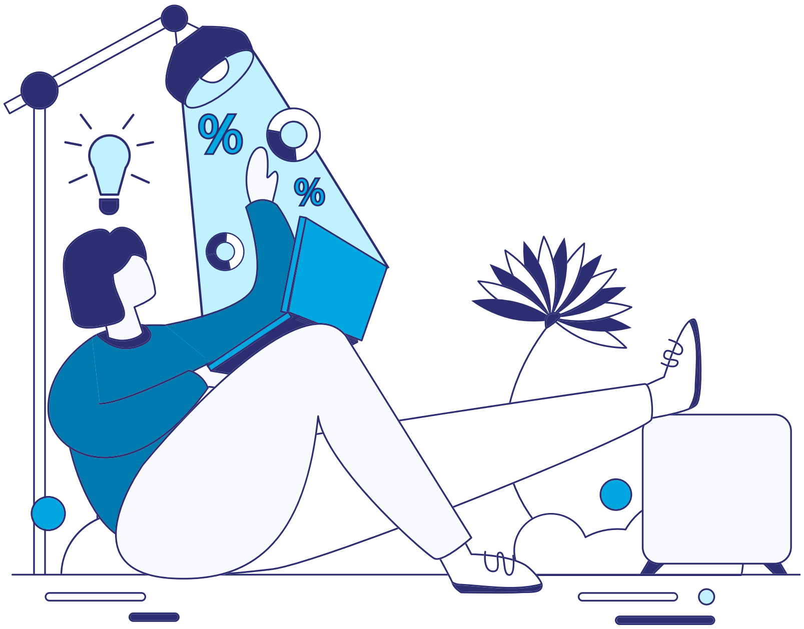
Technological advancement — highlighted by a shift toward data-driven business models and integrating seamlessly with trusted partners and insurtechs to form ecosystems — is a critical enabler of carrier success. But insurers must also adopt mindsets as ambitiously innovative and customer-centric as any technology they spend money on. If they don't, they'll remain in danger of stagnation. That's an unacceptable risk in a sector that's only growing more competitive.

Carriers that remain stuck in the past — either in terms of the technology they use or a failure to successfully apply that technology — might not see immediate collapse in 2025 or 2026. They'll simply set themselves up for a slow fade into the background as their competitors shine brighter than ever in the years to come.

To be clear, we understand how daunting digital transformation can seem, especially with 2025 on the horizon.

If thinking of this tipping point as an "adapt or die" crossroads only adds to your trepidation, reframe your perspective: Many insurers have wanted to offer robust, data-driven, and customer-centric digital experiences from quote to claim for years, but the technology hadn't caught up to either the ambition or customers' expectations.

Now, technology has caught up to both, and it's possible to build data-driven, scalable, adaptivity-focused, and customer-centric insurance platforms. There's never been a better time to kick-start your digital journey.



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About EIS

EIS is a top provider of SaaS core platforms for the insurance industry. It is the first choice for ambitious insurers who want to build future systems that focus on customers and use data. With EIS Suite, our open, API-rich, event-driven platform, insurers can get rid of old systems that are not efficient and flexible. They can also move to a world where technology drives maximum operational efficiency, self-reliance, and world-class customer service.

Digital by design, EIS Suite operates seamlessly across any line of business and supports any insurance product, whether your infrastructure is cloud-native, on-premises or hybrid. EIS Suite operates across all lines of business and delivers the flexibility and agility needed to meet the dynamic demands of today's modern insurance market. Its built-in adaptability enables insurers to enter new markets, launch innovative products, and create engaging customer experiences, all while reducing costs and accelerating their journey to intelligent automation and growth.

Headquartered in San Francisco, EIS is at the core of some of today's most ambitious insurers driving transformation at scale and empowering innovation without barriers. For more information, visit eisgroup.com.

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