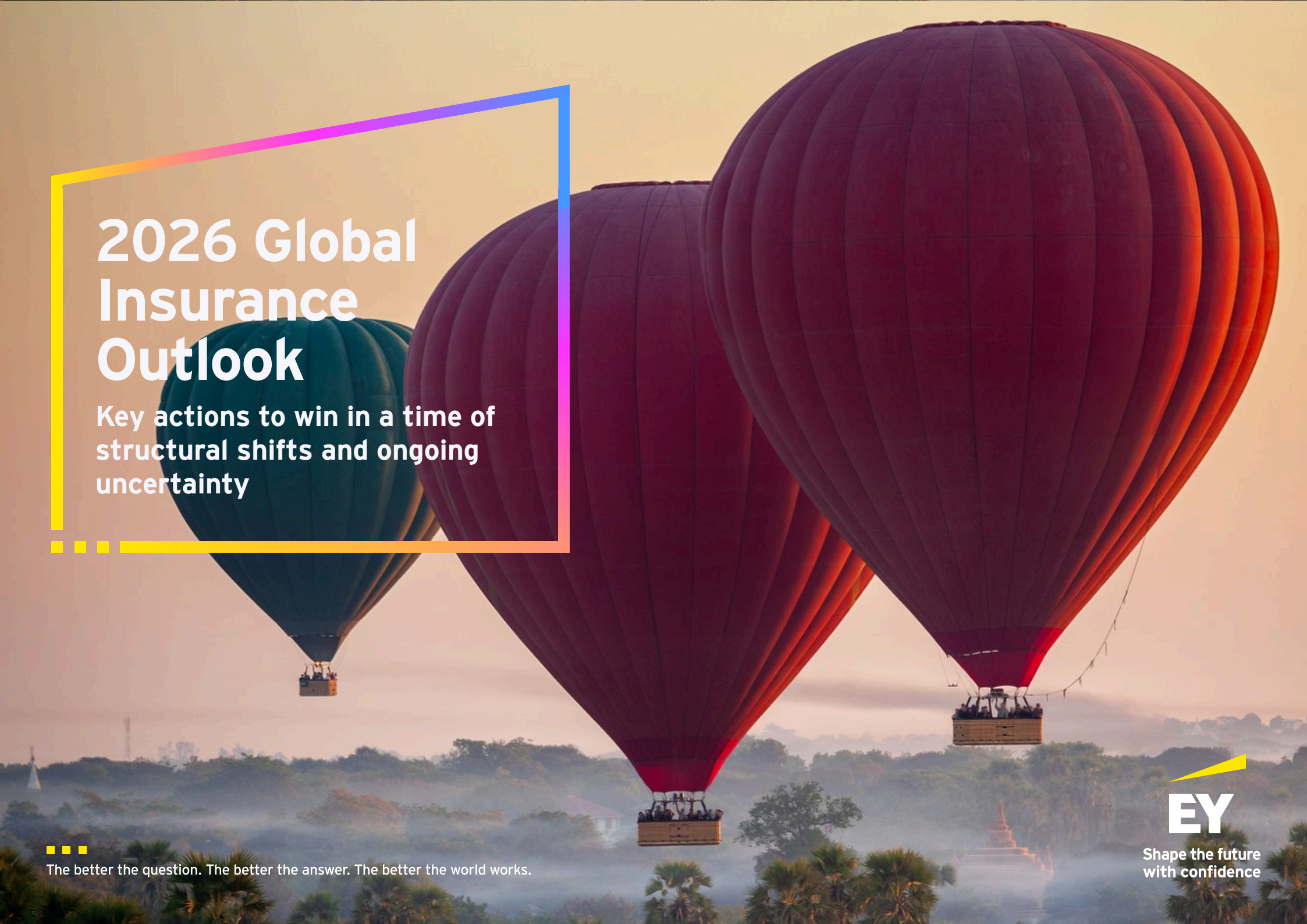




2026 Global Insurance Outlook

Key actions to win in a time of structural shifts and ongoing uncertainty



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Welcome letter

It's a unique moment in the history of insurance. New standards and leading practices are emerging across every aspect of the business. Firms are exploring new horizons of opportunity, and the industry's decades-long digital transformation journey has entered a distinct new phase. The competitive landscape is also changing profoundly, with nontraditional players and new capital sources making big, long-term bets across the sector. This evolution is happening in the face of persistent uncertainty and turbulence, driven by geopolitical conflicts, trade tensions, macroeconomic instability, and more frequent and severe natural catastrophes.

What hasn't changed: the need to meet evolving consumer needs, address huge protections and savings gaps, operate efficiently, and keep up with regulatory shifts. Collectively, these forces are fueling innovation in product design, distribution and capital management. They're also sparking big investments in AI and other disruptive technology, as well as workforce transformation.

Though near-term challenges and increasing complexity will determine winners and losers, we remain optimistic about the future of the industry. Firms that commit to their customers, embrace confident, data-driven decision-making, and get creative in their growth and innovation strategies will be best positioned for sustained market leadership.

We hope you find the insights on the following pages valuable. Please don't hesitate to contact us to discuss the unique challenges and opportunities your organization faces.



Jonathan Zhao
Global Insurance Leader

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Snapshot of a market in flux



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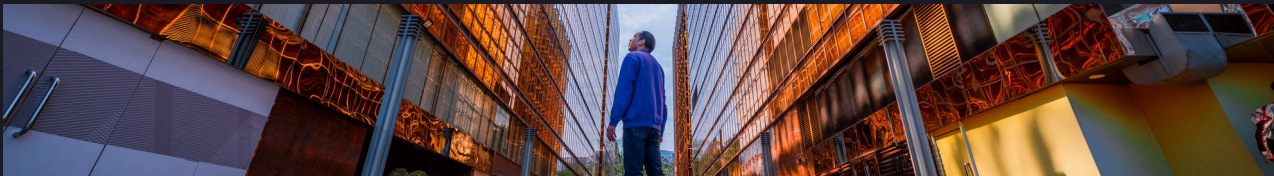


01. Uncertainty and volatility are here to stay

The insurance sector continues to navigate a world marked by **non-linear, accelerated, volatile, and interconnected** (NAVI) change. Various measures of economic, policy, and geopolitical uncertainty are at their highest levels in decades, according to the US Federal Reserve, and global tariffs haven't been this high in a century, according to the International Monetary Fund. Trade fragmentation, tariffs, inflation, and shifting regulatory regimes have become the new normal, depressing premium growth and narrowing the paths to growth for most carriers. Strategies are increasingly regionalized, as the trend toward "deglobalization" accelerates. Some firms are exiting certain markets. Others are making

significant investments in (or even moving their headquarters to) regions offering stability and the promise of future growth.

Beyond inhibiting growth, current conditions are causing speculation about bubbles in AI, real estate, and private credit. But uncertainty also equals opportunity: the less stable the world is, the more valuable insurance becomes. A market in which volatility is a structural feature puts a premium on effective cycle management, including speed and agility in scenario modeling, resource allocation, and performance management. All the uncertainty invites senior leaders to focus their efforts and energy on what they can control.



56%

of insurance CROs who view geopolitics as a top-three risk over the next three years.

Source: [EY Insurance CRO survey](#)

\$320b

lost profits from geopolitical volatility, 2017-24.

Source: [EY-Parthenon](#)

2.8%

projected global growth rate, revised downward from 3.3%.

Source: [IMF](#)

73%

of CEOs think it's critically or very important to rethink the approach to transformation due to the interconnectedness and unexpected knock-on impacts of external shocks.

Source: [EY-Parthenon CEO Outlook Survey](#)

02. Softening cycles, rate pressures, and instability place new focus on cost optimization

Sluggish premium growth, higher interest rates, tight margins, tariffs and inflation, intensifying competition – all of these factors make cost efficiency an imperative. According to Marsh, global rates fell in Q2 2025 in key lines of business – by -8% in property and -4% in commercial. Casualty was up 3% globally, but flat slightly down in all regions but the US, which saw 8% growth.

P&C carriers are bearing the brunt of higher costs (thanks largely to legacy technology costs and climate-related claims payouts), while life insurers are more vulnerable to interest rate changes and their impact on product portfolios. At large commercial insurers and reinsurers, C-suites and boards are looking to portfolio steering and other cycle management strategies in light of expected softening, despite generally positive recent results and strong overall capitalization.

There is renewed urgency to create lean, flexible, and low-cost operating models. Why? Because such models help ensure resilience, free funds for transformation and growth investments and quickly scale operations (up or down) in line with portfolio pressures and future market developments.

Insurers will take different routes to cost optimization. Holistic plans feature structural redesign – leveraging technology, managed services, and process automation – rather than blunt tactical cuts. Cost reduction efforts are best measured not just by lower costs and reduced headcount but also by their ability to deliver value across the value chain. Consider how intelligent automation and smart sourcing arrangements can:

- Drive more sophisticated, real-time management reporting in tax and finance functions.
- Enrich customer experiences in marketing, sales, and service.
- Free funds for reskilling programs and to boost human productivity.

\$24b

potential increase in US auto claims costs due to tariffs on China, Canada, and Mexico.

Source: [American Property Casualty Insurance Association](#)

10.3%

projected increase in global average medical costs, 2025.

Source: [Willis Towers Watson](#)

10.5%

gross expense ratios for composite insurers, 2024, up from 10.0% in 2023.

Source: [EY Cost Benchmarking Survey](#)

03. Private equity, “alternative” capital, and nontraditional players reshape the competitive landscape

Private equity (PE) firms, private credit providers, and large institutional funds are moving aggressively to seize opportunities across different lines of business and geographies. These players are transforming how products are structured, balance sheets are deployed, and risk is transferred through their sophisticated use of sidecars, investment vehicles, reinsurance structures, and other new capacity solutions. The large, integrated platforms they have built for their life and annuity businesses suggest they are in for the long term. They are also reshaping distribution through broker consolidation.

Non-traditional players present unique competitive threats. They can move faster, focus relentlessly on returns

and have significant advantages in capital efficiency, origination, and data management. Purpose-led and mutual insurers may feel particularly challenged. Though regulatory scrutiny will increase as non-insurers assume responsibility for larger books of business (especially in life, pensions, and annuities), some authorities may seek their help in solving huge retirement savings gaps.

Partnerships with alternative capital providers offer clear benefits in freeing capital, reducing long-dated risk exposures, and strengthening asset and liability management. That helps explain why the volume of insurance-linked securities has reached all-time highs and adoption of asset-intensive reinsurance is accelerating worldwide.

Growth of PE-owned insurance in the US, 2018-24

50%: increase in the number of PE-owned carriers, from 90 to 137.

2x: growth in their cash holdings and invested assets, which now totals \$704.3b.

Source: [NAIC](#)

Growth of alternative capital in reinsurance

33% since 2020

68% since 2015

~17%: proportion of total global reinsurance capital, 2025.

Source: [Aon](#), [Artemis](#)

90%

percentage of total industry assets under management (AUM) controlled by alternative asset firms with insurance partnerships, up from just 15% in 2014.

Source: [Harvard Business School/State Street via Risk Market News](#)

\$121b

reinsurers' alternative capital, 1H25, a new record and up from \$115b in FY24 and \$108bn in FY23.

Source: [Aon](#)

04. The AI rethink is in progress amid strong transformation pressure

With a general lack of real-world results beyond narrow efficiency gains, C-suites and boards are rethinking their approach to AI, looking to drive value beyond mere automation and limited functional use cases. Given today's pilot purgatory, many stakeholders are feeling disillusioned (to put it in hype cycle terms) and are anxious to see first-generation deployments achieve scale. There is mounting pressure to generate tangible value (particularly for customers), transform key operations, and realize AI's revolutionary potential to transform how business gets done. Boosting near-term productivity and efficiency with AI is an important goal but should not compromise greater long-term ambitions. The time is now for senior insurance leaders to define how [AI will make work better, smarter, more resilient, and more strategic](#).

Data remains the primary barrier to AI innovation. Customer expectations are raising the stakes, too: consumers are using AI to purchase

insurance and want insurers to provide specific AI-enabled services (e.g., quoting, claims support). Such market-facing considerations must factor into enterprise AI strategies.

Flexibility in sourcing AI capabilities and tools is critical. That means combining off-the-shelf solutions, embedded tools in enterprise platforms, and internally developed, "secret-sauce" apps. Board-level caution and regulatory uncertainty also demand that firms be nimble and responsive in their AI plans. Lastly, they must be ready to pivot repeatably as market conditions change, leading practices emerge, and better tools are released. Agentic AI has arrived, and neurosymbolic AI is just over the horizon. First-movers will gain a substantial competitive advantage in transforming their commercial models and identifying hidden growth opportunities that can be monetized quickly and at scale. Those are the game-changing applications boards and C-suite leaders are looking for.

55%-80%

of consumers say they have used AI-enabled tools to purchase insurance, with the highest rates in China and lowest in Germany.

Source: [The Geneva Association](#)

No. 1

technology disruption and AI integration are the top challenges to achieving financial targets over the next 12 months, according to CEOs.

Source: [EY-Parthenon CEO Outlook Survey](#)

90%

of insurers plan to increase their AI investments, with 75% prioritizing underwriting and claims use cases.

Source: [The Geneva Association](#)

66%

of CEOs think it's critically or very important to increase the speed of transformation.

05. The hunt for growth reaches far and wide

Firms are seeking multiple paths to growth – M&A, geographic expansion into politically stable and low-penetration markets, partnerships, and joint ventures (including brokers and MGAs). Other firms are rolling out new offerings, entering new lines of business, and exploring niche segments (e.g., specialty P&C). Those firms that identify where they can compete most effectively and strategically allocate capital against those opportunities are most likely to find a winning formula.

A surge of large-scale M&A activity highlights how difficult it is to generate organic growth given current market conditions. Consolidation in highly competitive markets seems likely, as small and midsize carriers struggle to generate sufficient investment returns to fund necessary modernization programs.

For instance, P&C insurers in the UK, Canada, and other markets may merge to achieve economies of scale in the face of shrinking margins.

Larger carriers may both buy and sell, divesting underperforming businesses and making acquisitions to reinforce key parts of the portfolio. Japanese insurers have been particularly active in entering new regions. Some transactions will be structured to balance growth, value, and cyclical strategies, with acquisitions timed to rate cycles and other market patterns.

Total real premium growth



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Source: [Swiss Re Sigma](#)

Other transactions may have specific objectives:

- “Acquihires” are designed to gain access to or scale up specific capabilities, typically in underwriting and tech. This trend seems most pronounced in specialty lines.
- InsurTech acquisitions are often viewed as the shortest path to add new services or transform key parts of the value chain.
- Health insurers buying clinics, treatment facilities, or entire health systems and auto insurers acquiring repair shops are seeking more long-term control over costs and the customer experience.
- Consolidation among brokers increases purchasing power and their influence over distribution.

Today’s uncertainty indicates that the global economy is undergoing structural shifts that would have seemed unimaginable just a few years ago. That means insurers will need to continuously recalibrate their growth strategies in the years ahead.

Stable M&A activity – with fewer but larger deals in Europe and the UK



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Source: **EY-Parthenon**

2

**Strategic, tactical
and competitive
imperatives for
2026-27**

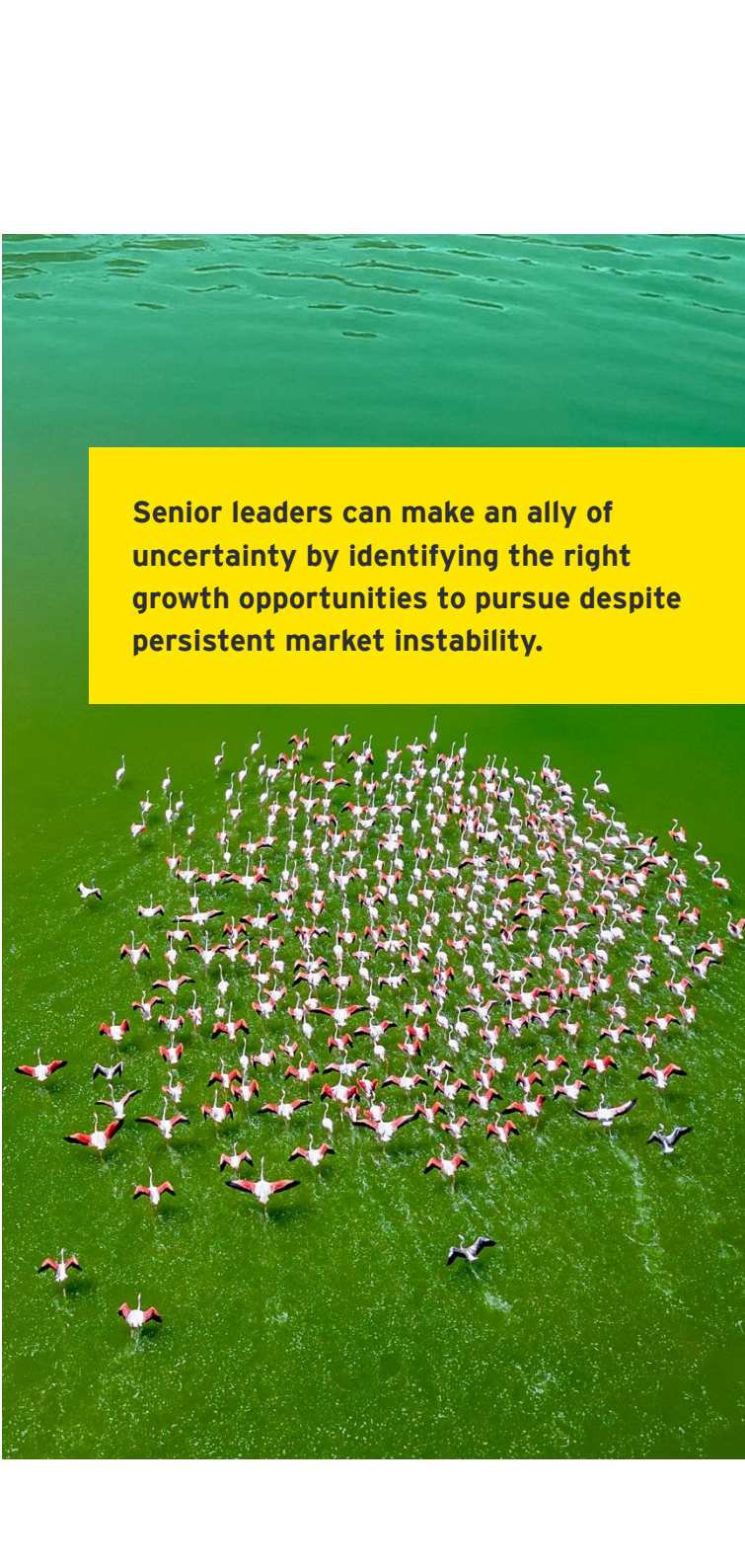


The priorities for senior leaders: tech and talent, customers and growth, and smart capital strategies

Senior executives have several levers to adjust in leading multi-dimensional change. Strategic clarity, when supported by operational flexibility and agile decision-making, holds the key to seizing opportunities in shifting markets. Sophisticated data management, process automation, and AI-enabled tools underpin operational excellence, no matter the function or line of business.

The people element is just as important. Engaged talent, empowering cultures, and confident leadership are essential elements of long-term success, particularly in light of ongoing uncertainty. Customer centricity – easy to overlook in disruptive times – should ground both long-term strategic planning and everyday resource allocation.

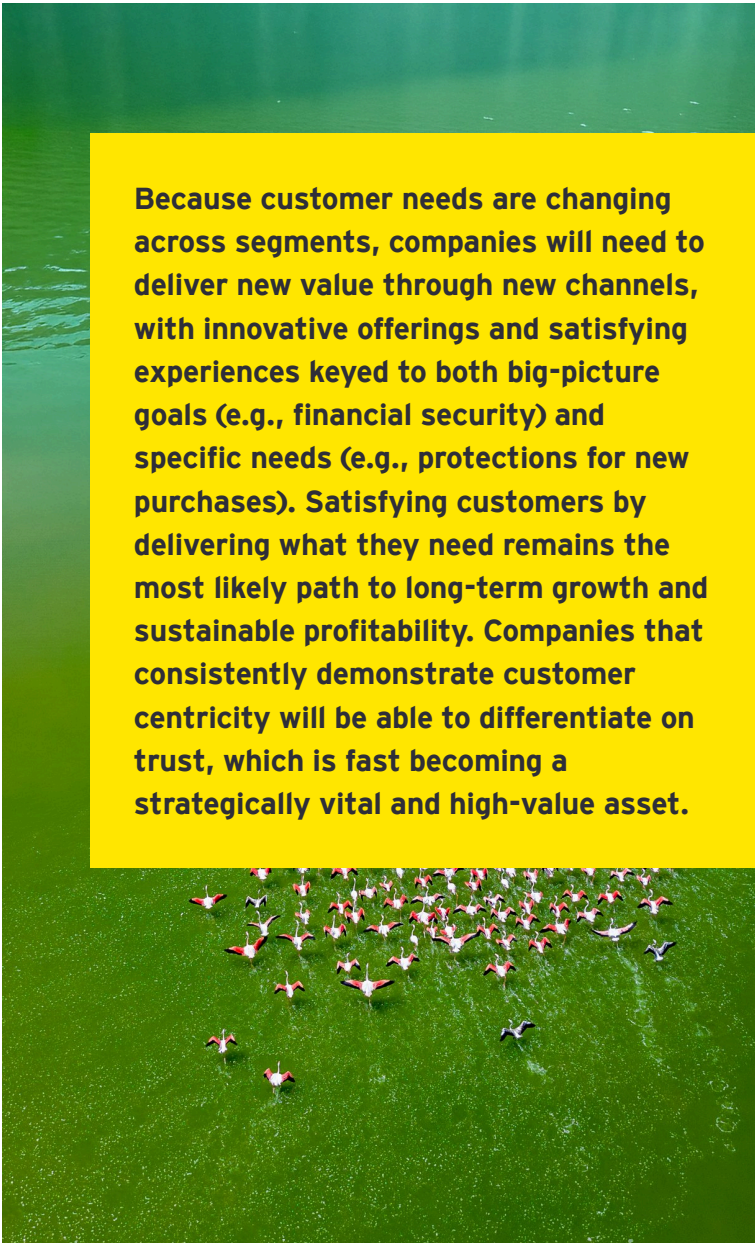




Senior leaders can make an ally of uncertainty by identifying the right growth opportunities to pursue despite persistent market instability.

Sharpen capital, product, and growth strategies

- Determine where you can effectively compete and achieve sustainable growth, carefully balancing top- and bottom-line factors across different time horizons
- Assess the evolving risk landscape (e.g., tariff exposure, supply chain vulnerabilities, varying regulatory requirements), new competitive realities, and tax implications when allocating capital
- Embrace discipline in steering the portfolio, clearly articulating the rationale for divestments and exits from low-margin and high-volatility lines
- Strengthen scenario modeling and stress testing capabilities to envision future developments and prepare for future volatility
- Redesign reinsurance and ALM programs to balance retention, collateralization, and capital efficiency
- Identify different capital providers – including PE and traditional asset managers – for creative collaborations and mutually beneficial investments
- Ensure that senior executives overseeing data, AI, and talent and workforce are engaged with the board and C-suite for strategic alignment and rigorous execution of change programs



Because customer needs are changing across segments, companies will need to deliver new value through new channels, with innovative offerings and satisfying experiences keyed to both big-picture goals (e.g., financial security) and specific needs (e.g., protections for new purchases). Satisfying customers by delivering what they need remains the most likely path to long-term growth and sustainable profitability. Companies that consistently demonstrate customer centricity will be able to differentiate on trust, which is fast becoming a strategically vital and high-value asset.

Orient everything around customers

- Use customer insights as a guide in both big bets (e.g., AI deployments, outsourcing) and small enhancements (e.g., new product features, personalized experiences)
- Identify where AI can streamline and enhance the customer journey and feature customer-related metrics (e.g., higher satisfaction, increased share of wallet) in the business case for tech transformation
- Instill value for money, fairness, and consumer protections within the value proposition and every customer interaction to build trust and meet regulatory requirements
- Design products for different life stages and modularize them for easy adjustment over time (e.g., life and savings products that flex for accumulation and decumulation phases)
- Consider options for underserved segments (e.g., entry-level life and annuity products to attract younger consumers making DIY investments)
- Collaborate and co-create flexible solutions with corporate clients (e.g., prevention and analytical services for captives; group insurance and employee benefits designed for customization and individual choice)
- Refactor marketing, sales, and service processes, with strategies to engage via AI chatbots
- Expand embedded products and other offerings that engage younger consumers who don't use traditional channels



Cost optimization programs often balance short-term pain with long-term gain, provided firms avoid degrading the customer experience and limiting future innovation via indiscriminate cuts.

Recalibrate operations for a high-cost, low-growth world

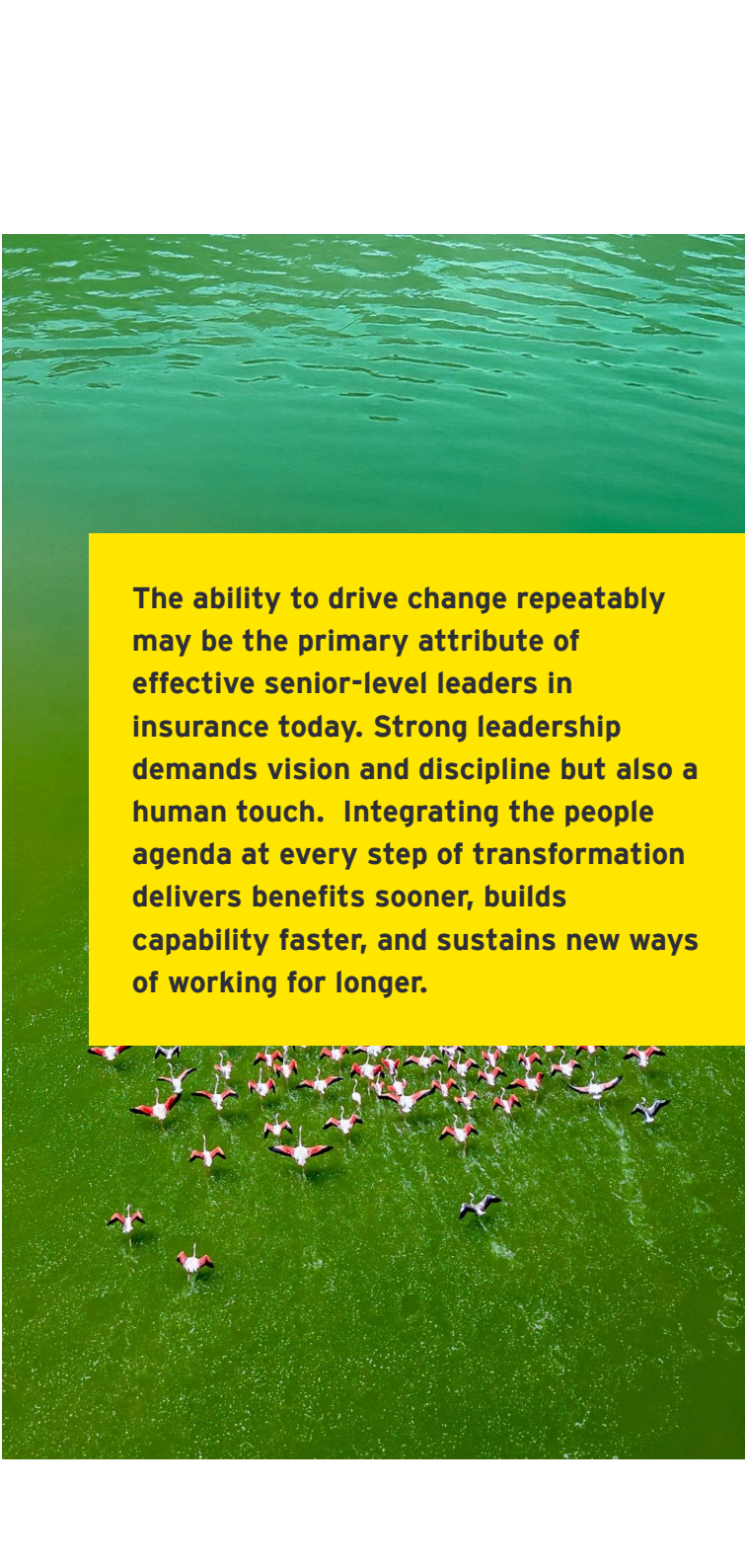
- Set the vision of a lean, flexible organization as a platform for future growth and innovation based on both operational excellence and strategic agility
- Evaluate the resourcing model to maximize efficiency and to foster innovation via access to specialty skills and specific tech solutions
- Link cost reduction targets to specific transformation and innovation investments
- Consider different options (e.g., centers of excellence, multi-disciplinary teams, innovation hubs, partnerships, managed services) in refining the operating model
- Develop strategic partnerships and participate in platforms that drive value cost-efficiently



After 25 years of digital transformation in insurance, it's time to look over the horizon and envision the next phase. Beyond digitizing current operations, leaders can rethink the fundamentals of the business and explore new ways to create and deliver value.

Deploy advanced technology to create value, period

- Build a business case for AI that extends beyond cost and productivity metrics to identify areas where AI can boost competitiveness and promote innovation
- Define the sourcing options – buying off-the-shelf packages, building custom solutions, partnering for specific capabilities – and proactively modify the mix to ensure flexibility in the short and long term
- Monitor the landscape of InsurTechs and startups to identify candidates for collaboration in line with specific business and IT needs
- Invest in foundational systems, data management platforms, and governance structures to drive the development of scalable AI capabilities
- Focus on data quality, lineage, taxonomy, and governance to remove the main barriers to value creation with AI
- Prioritize AI use cases that elevate the human element of the business and help people create value, serve customers, and do their jobs more effectively
- Prepare to pivot – strategically, operationally, and technologically – as AI advances (e.g., neurosymbolic applications) and other disruptive tech (e.g., quantum computing) becomes more common



The ability to drive change repeatably may be the primary attribute of effective senior-level leaders in insurance today. Strong leadership demands vision and discipline but also a human touch. Integrating the people agenda at every step of transformation delivers benefits sooner, builds capability faster, and sustains new ways of working for longer.

Embrace continuous transformation, especially relative to talent, workforce, and culture

- Define and clearly communicate the *what*, *why*, and *how* of transformation programs
- Establish clear investment targets and milestones for ramping up capabilities
- Sequence transformation in self-funding phases, delivering measurable value at each stage
- Develop a change management capability to orchestrate different value streams and evolve cultural norms in line with new technology and new ways of working
- Openly acknowledge the difficulty of change in turbulent times, explicitly addressing the fear of job cuts relative to AI deployments
- Promote critical thinking, skill development, and creative collaboration via training and new incentives at every level of the organization
- Be adaptive in transformation planning, using continuous feedback to course-correct, reset goals, and refine priorities over time
- Emphasize the need for and value of continuous learning and cross-functional collaboration

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