

Insuring  
a more  
open world



# The social role of insurance by 2040

Can Everyone Be Insured?  
Reinventing Insurance  
in a Changing World

Foresight Report  
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Summary



# FOREWORD



Societies in a globalised world are now facing upheavals that are unprecedented both in their suddenness and their scale. Vulnerabilities in our societies are being exacerbated by economic uncertainty against a backdrop of persistent inflation, natural and climatic disasters, an accelerating loss of biodiversity, and geopolitical tensions – particularly the ongoing war in Europe, which has repercussions on our economies and even our day-to-day lives.

In this context, the insurance sector is being challenged more than ever in terms of its ability to predict, to anticipate, to prevent and, where necessary, to guarantee the protection of people and property. Foresight is essential for the future of our sector.

CNP Assurances has a long history as a personal insurer in France, and is now a full-service insurer with a strong international presence. It is therefore ideally placed to observe the changes taking place on a large scale. The Group's commitment to corporate citizenship reinforces its aim to protect as many people as possible, and its membership of France's major public finance sector confers on it a special responsibility to lead the way.

That is why I am so proud to present this third edition of the CNP Assurances Foresight Report, on "The Social Role of Insurance by 2040", and to invite you to share in its discoveries.

**Véronique Weill**, Chairwoman of the Board of Directors of CNP Assurances

# EDITORIAL



Our societies have never needed insurance more! To protect themselves, of course, but also to help them make plans, save with confidence and undertake new ventures in a world of multiple risks – risks that pose unique challenges to the social role of our profession, as insurers.

Just how far can insurers cover major catastrophes and global crises without jeopardising the viability of the system? Will everyone be insurable when polycrises strike our societies? How can we protect the most vulnerable, those who will inevitably face exclusion because of income, age or illness? Will mutualisation and solidarity survive in a context of growing personalisation? What new partnerships do we need to create in order to provide a model of insurance that serves everyone?

These are just some of the questions highlighted by current events, and which this foresight report explores, offering some initial avenues for reflection, transformation and action...

Personally, I see the challenges ahead as an opportunity to reinvent ourselves, our companies and our solutions, so that together we can demonstrate the usefulness of our profession and turn people's perception of insurance on its head.

Yes, at CNP Assurances, we believe that, by pushing back the limits of insurability, it is possible to avoid excluding anyone. Our corporate mission is to be useful at every major stage of life, protecting and facilitating all life's journeys. This mission requires us to innovate, together with our partners in France, Europe and Latin America, starting today.

**Stéphane Dedeyan**, CEO of CNP Assurances

# ACKNOWLEDGEMENTS

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# SUMMARY

## Objectives and method

In this third foresight report, CNP Assurances re-examines a fundamental mission of insurers: their role within societies and in the service of individuals. This traditional role is being turned upside down by a combination of trends, some of which can be observed on an international scale, while others are more specific to particular regions or even countries. In order to gain a better understanding of the scale of these transformations, their outlook and their impact on insurers, this foresight study adopts an innovative three-pronged approach:

- A **systemic approach**: the social role of insurers is being transformed by demographic, economic, social and environmental changes of very different kinds. Furthermore, these developments are likely to interact and have unprecedented impacts on society. Understanding them requires a systemic approach, taking account of these multiple factors of change and their interactions.
- A **foresight approach**, which takes account of developments over a long period, both in the past and in the future. The aim of foresight research is not to predict the future, but to gain a better understanding of the drivers and scale of the changes underway, and thus to envisage a certain number of possible scenarios in the medium- and long-term future.
- An **international approach**: insurers have close relationships with societies and individuals. The needs to which they must respond can vary greatly depending on culture, the territory, social category, political context, etc. At the same time, a certain number of global trends are creating needs that are felt across all contexts: global warming, ageing populations, growing inequalities within societies, etc. It is therefore essential to cross-reference international-scale analysis with more detailed analyses at the regional and national scale in order to understand the influence of these different geographical scales.

This foresight work was based, among other things, on interviews with experts, several surveys of actors in the insurance world in about ten countries, and qualitative workshops with the general public.

This report summarises the findings of that research. It reviews the main historical developments in the social role of insurance (part 1). It then identifies the major challenges that are now confronting this social role (part 2) and how these challenges are reflected in the four major regions considered here (part 3). Finally, it proposes three high-priority levers for action and makes associated recommendations (part 4).

## Summary of transformations by major region

This report explores the main societal transformations underway in four major regions of the world: Europe, Latin America, Africa and Asia. It presents a selection of the transformations that appear to have the greatest structural impact on future developments, based on a combination of surveys, interviews with experts and an in-depth analysis of the literature.

### Europe

#### Four major trends

- Inequalities in this region are lower overall than in other regions, but they are increasingly concentrated in certain populations, and are proving to be more long-lasting and harmful for the individuals concerned.
- Populations are generally in good health, but are increasingly vulnerable to chronic diseases, particularly those linked to ageing. They are also becoming more vulnerable as a result of inequalities in exposure to certain diseases and in access to care.
- There is growing pressure on access to housing that meets the needs of households.
- There is a growing number of categories of people excluded from social protection systems, or who do not receive enough from them to meet their needs.

Aside from these trends, the survey results also highlight the importance of technological, environmental and geopolitical changes for Europe.

### Latin America

#### Five major trends

- Very high levels of income inequality (in a context of excessively weak economic growth) seem to be entrenched, which are increasingly harming the development and cohesion of societies.
- Latin American countries are facing increasingly severe and diverse health issues, as they have to contend not only with the pathologies typical of developing countries (viral diseases, malnutrition, etc.) but also with others linked to an ageing population and lifestyles (obesity, diabetes, etc.).
- The overall level of education of the Latin American population is low, especially owing to the lack of investment in this area. This has repercussions on the level of qualification of the working population.
- The territories and populations of Latin America are considered to be among the most vulnerable in the world to the impacts of climate change and extreme weather events.
- There is a very high level of mistrust of institutions, politicians and the tax system, which has a serious impact on the functioning of democracies and the development of social protection systems.

The survey shows that the usefulness of insurance is known and recognised in the region, in terms of providing cover against individual, natural and health risks, as well as protecting property. On the other hand, the role of insurers as investors in the financing of the real economy is less valued. In addition to these five trends, experts stress the importance of developments linked to the global environment, demographic structures and public policies.

## Africa

### Five major trends

- The development of public social protection systems is still largely hampered by the immaturity of tax systems, which are unable to collect the funds required for their operation, in a context of growing social needs.
- Africa, where two-thirds of the population are under the age of 25, has the highest concentration of educational needs in the world. Almost half of the world's children who do not attend school live in Africa.
- The acceleration of urbanisation in metropolitan areas is bringing to light a lack of infrastructure, or infrastructure that is undersized or unsuitable.
- Climate change is exacerbating health problems in the region, thus contributing to the emergence and proliferation of infectious diseases, together with a deterioration of hygiene conditions and access to healthcare.
- The rapid development of online banking services is a major asset for people's financial security, and offers significant potential for access to insurance services.

In addition to these changes, local experts have pointed out that people perceive insurance as a tax and a complex system to understand. For some, insurance is seen as a regulatory constraint in situations where they are obliged to acquire cover, particularly for construction and the use of motor vehicles. However, the experts note that there are positive developments in the production of insurance initiatives that are more adapted to the context of these countries.

## Asia

### Five major trends

- There are major differences between Asian countries in terms of their demographics trends, with some being relatively "young" while others already have ageing populations. Their needs in terms of social protection therefore differ, but the major challenge will be access to healthcare for the elderly.
- Although most Asian societies have experienced societal change and sustained economic growth, women have generally benefited less from social advances. South Asia has the highest levels of gender inequality, and is one of the few regions where inequalities are not decreasing.
- By 2050, between 600 million and one billion people could be living in regions prone to potentially fatal high-humidity heatwaves. Growing awareness of climate and environmental issues is leading to increasingly extensive grassroots action.
- Asia is the continent that receives the second-largest number of migrants, with an increase of over 70% of their number in 20 years. These migrants are not only workers, but also victims of natural and/or climatic disasters, which raises the question of their social protection.
- In matters of education, Asian countries face two major and opposing challenges. In the countries of South-East Asia, a majority of children do not acquire a basic level of writing and mathematics. In the most developed countries, the principles of meritocracy and competition are wreaking havoc on pupils' mental health.

The experts we interviewed highlighted the difficulty of carrying out cross-cutting analyses, which are essential when studying the Asian continent. The issues differ from one region of the continent to the next, and these countries may embark on opposite trajectories, resulting in very different behaviours and policies. On the whole, highly developed societies in Asia perceive risk as a factor of economic slowdown, whereas developing societies leave more room for emotion and assume that the future will present exceptional opportunities. Finally, the geopolitical situation remains fairly tense for most countries in the region.

## High-priority levers for action and associated recommendations

The foresight research identified three high-priority levers for action by insurers, together with 12 associated recommendations.

### Lever 1: Rethink inclusion mechanisms in order to meet the needs of the most vulnerable groups

#### Recommendations:

- Simplify insurance contracts to make them understandable to everyone.
- Adapt regulations and ensure that they are compatible with inclusive insurance offerings.
- Develop relationships with the actors best placed to distribute inclusive insurance products.
- Make use of the potential of digital tools to promote inclusive insurance.
- Provide inclusive insurance offerings in line with the demands of the ecological transition.

### Lever 2: Increase socially responsible investment and public-private partnerships in order to address new vulnerabilities

#### Recommendations:

- Broaden the legal framework for useful and socially responsible investment.
- Increase investment aimed at preventing and/or reducing vulnerability in society.

### Lever 3: Push back the limits of insurability through renewed and holistic risk governance.

#### Recommendations:

- Encourage an approach based on collective intelligence by mobilising a wider range of actors (private, public, associations, etc.).
- Encourage regulatory reforms to encourage social development and decision-making that is close to the reality on the ground.
- Extend the principle of risk pooling based mainly on the spatial dimension (pooling by geographical area) to include the temporal dimension (pooling over several years), in line with a more long-term rationale.
- Support governance through the positive use of technological innovations.
- Strengthen the social role of insurance by extending risk governance through bold international cooperation in the service of citizens.



## Key messages for the insurance sector

### The historic social role of insurance is now being transformed

Modern insurance developed from the nineteenth century onwards in European countries, before spreading to other continents. It has become increasingly diverse in terms of the products it offers and the audiences it serves. It is now regarded as a primary good in developed societies, enabling access to other goods that satisfy basic needs, such as housing, driving, access to healthcare and protection against natural disasters.

Today, insurance fulfils **three major functions**: it anticipates and covers risks to individuals, organisations and their assets, in parallel with social protection systems; it facilitates the projects undertaken by individuals and organisations (life projects, investments, etc.); and it adds value to the savings thereby generated.

This social role is being reshaped by **two types of transformation**:

- The **transformations taking place within societies** are leading to an increasing diversity and complexity in people's needs from insurers. This may pose challenges to the very principle of mutualisation.
- **Transformations in the general environment** (climate change, environmental degradation, emerging risks, health and technological risks, reconfiguration of governments' capacity to act, etc.) can combine with each other and with previous developments to increase the vulnerability of populations and public actors.

### Three major challenges for insurers between now and 2040

The scale of the changes taking place within countries and on a global scale is calling into question the **three core functions of insurers**: risk pooling (mutualisation), risk management and their role as institutional investors. These changes have resulted in three major challenges for the sector:

- The need to **diversify their offerings without undermining the principle of mutualisation**. There is also a growing tension between the need to personalise offerings and the need for a global approach to insurance.
- The need to **cover risks that are becoming difficult to anticipate and to cope with costs** that are becoming unsustainable, thus calling into question the business model of insurers.
- The difficulty of **managing the tension between the growing needs of individuals and public authorities** to cover these risks and the cost of doing so.

### There is a wide variety of realities and needs in different parts of the world

The transformations observed on a global scale are compounded by a number of trends, the scale of which may vary according to region, country or even population category. Some of these trends are having a major impact people's expectations towards insurers.

- **Socio-economic inequalities** are still very much present, and are even worsening, diversifying and compounding one another. The situation is particularly concerning in many countries in Latin America, Asia and now Africa, where economic development is benefiting certain categories of the population, while others suffer from low levels of education and dependence on informal work. As a result, societies are becoming polarised between well-off, protected populations and others who are poorer and more exposed to risks from the economic context.
- **A concentration of vulnerabilities in certain populations**: low levels of education, low and/or irregular income often linked to informal or precarious activities, housing that is poorly adapted to climate change or exposed to a high risk of natural disasters, increased exposure to infectious diseases, inadequate access to healthcare, etc. Perceptions of risks can also vary greatly depending on the country and the culture.
- **Very varied demographic situations**, with some societies facing significant and accelerating ageing (Europe, China, Japan, etc.) and others (mainly in Africa and India) having to deal with rapid population growth.

Health challenges are increasing on a global scale, in combination with factors including demographic ageing, changing lifestyles, the rise in chronic diseases, continuing health risks and the increasing impact of environmental health issues.

Against this backdrop, social protection systems appear to be inadequate overall (but especially in developing and poor countries), suffering from insufficient financial resources, immature and/or distrusted tax systems, and an inability to keep pace with the diversification of needs.

**Insurers may have a major social role to play in helping societies to meet these new challenges. However, they must also recognise the challenges arising from populations who are unaware of insurers' social role, or even distrustful of their activities.**

### Three major levers for insurers

Over the next 20 years, insurers will face major challenges that are likely to overturn their business model, their social role and their raison d'être. To meet these challenges, they will be able to take advantage of three levers for action:

- 1. Rethink inclusion mechanisms in order to meet the needs of the most vulnerable groups**, by strengthening and extending the core principle of inclusiveness, in order to reduce exclusion and integrate ever more groups and needs.
- 2. Increase socially responsible investment and public-private partnerships in order to address new vulnerabilities**, support transitions and anticipate and/or reduce populations' exposure to vulnerability factors in society, by means of a regulatory framework that is better adapted to the new realities.
- 3. Push back the limits of insurability through renewed and holistic risk governance**, capable of addressing more complex and systemic issues. This will also require new alliances and partnerships.

Societies themselves will also have to reflect how they will deal with risks: who will bear the risks, under what conditions and at what cost? How can we act, individually and collectively, in such a way as to reduce and/or limit their impact on society?

***This foresight report was produced by the CNP Assurances Research and Strategic Foresight department, under the direction of Anani Olympio, in partnership with Futuribles.***

# POSTFACE



What social role do we want insurance to play between now and 2040? This was the question addressed by the teams of the CNP Assurances Research and Strategic Foresight department, in partnership with Futuribles.

This third edition of the CNP Assurances Foresight Report is the result of six months' work, including interviews with experts and surveys of insurance actors on four continents. Workshops with the general public also made it possible to measure people's perception of the usefulness of insurance within society, to analyse the risks and transformations underway, and to identify people's needs and their expectations towards insurers.

The originality of this work lies in its three-pronged approach to the transformations underway: a systemic approach, so as to take account of their interdependence; a foresight approach, so as to understand their outlook in the medium and long term; and an international approach, so as to take a holistic view.

After a brief history of the social role of insurance, this report presents the major challenges facing this role in four major regions of the world, and three levers for action: rethinking inclusion mechanisms to meet the needs of the most vulnerable groups, strengthening socially responsible investment and public-private partnerships to deal with new vulnerabilities, and pushing back the limits of insurability through renewed and holistic risk governance. These levers for action are supported by concrete recommendations aimed at both public and private actors, particularly those in the insurance sector.

**Sonia Barrière**, Head of Strategic Transformation at CNP Assurances

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