

Usage-Based and Embedded: Redefining the Future of Insurance



The global insurance industry is navigating a new era of transformation, driven by rapid technological advancements, increasing regulatory scrutiny, and evolving customer expectations. Over many decades, insurers relied on traditional business models built around uniform products, rigid processes, and legacy systems.

Today, these traditional models are now staring at an unprecedented disruption from cutting-edge solutions that emphasize deep personalization, seamless customer experience, and an unwavering commitment to sustainability aligned with broader environmental, social, and governance (ESG) priorities.

Balancing Rising Claim Costs and Affordable Premiums

Insurers at the same time are grappling with rising claim costs that place significant pressure on their ability to maintain profitability while offering affordable premiums. Striking the right balance between competitive pricing and financial sustainability is a critical challenge, requiring insurers to innovate in risk management, underwriting, and operational efficiency to safeguard their bottom line and customer value.

Transitioning to Tech-Driven Ecosystems

The shift from traditional to tech-driven ecosystems is fundamentally reshaping how insurers engage with customers, manage risk, and generate value in a landscape that has become more competitive and socially conscious than ever before. Digital transformation is accelerating across industries, and the insurance landscape isn't any exception. Insurers are tapping into the collective might of data analytics, artificial intelligence (AI), and automation to enhance underwriting, streamline claims, and deliver hyper-personalized products at scale.

The Rise and Role of Insurtechs

This wave of disruption has also been fueled by the rise of insurtechs that challenge legacy players with innovative, digital-first models. It's no longer a nice-to-have thing but a business imperative for traditional insurers to put their rethinking cap on strategy-wise, accelerate modernization initiatives, and forge strategic partnerships to stay relevant in an increasingly digital marketplace.

Meeting Mounting Regulatory Demands

At the same time, mounting regulatory pressures have made it a strategic imperative for insurers to adapt at a breakneck speed. Insurers are feeling the stress to cope with regulatory mandates for higher standards of transparency, compliance, and consumer protection. Customers now expect faster, more relevant, and more responsible services.

According to the IAIS Global Insurance Market Report 2025, the insurance sector remains resilient with stable solvency, liquidity, and profitability, but insurers must grapple with emerging challenges such as geopolitical tension, rising investments in private credit, and growing regulatory focus on AI, climate & cyber risk. While these challenges present complexities, they also create tremendous opportunities for insurers to modernize their legacy systems, deepen trust, and innovate in a responsible manner.

Disruption as a Catalyst, Not a Threat

The era of disruption is here - but it is not a threat, it's a catalyst. Insurers that are ready to rethink their traditional models, embrace emerging technologies, and elevate customer experience would be well positioned not only to stay competitive, but also to help shape the future of the global insurance industry.

Key Trends

Usage-Based Insurance Gaining Traction

Usage-Based Insurance (UBI) is gaining popularity in the global insurance market. This pricing model has generated significant interest because it shifts pricing from traditional averages and aligns premiums more closely with actual driving behavior, thus creating fairer, more personalized pricing.

UBI moves away from charging everyone similar premiums and leverages telematics (like GPS, sensors, or mobile apps) to track driving patterns - mileage, speed, braking, and time of use. Such a pricing model appeals to cost-conscious, tech-savvy consumers - especially younger drivers - it effectively means that safe drivers pay less, while riskier drivers pay more. To cite an example, a 25-year-old male driver in Paris with a sports car may pay a high premium simply because people in that category statistically have more accidents. So even if he drives safely and rarely uses the car, he is still charged based on the average risk of his group, not his personal behavior.

According to a study conducted for the Indian market by Zuno General Insurance (formerly Edelweiss General Insurance), 70% of Indian respondents were highly likely to buy usage-based insurance (UBI), and 90% wanted a driving score to gauge their safe driving habits.

UBI works well for insurers as they are better positioned to assess risk, reduce fraud, and encourage safer driving habits - and more importantly, builds customer engagement.

Digital Transformation Accelerated by Insurtech Disruption

The global insurance industry is rapidly advancing along the digital transformation path—driven in large part by the rise of fast-moving insurtechs. These agile players are offering faster, more personalized, and often more affordable products by leveraging data, AI, and scalable cloud-based platforms, setting a new benchmark for customer experience and operational efficiency.

This insurtech-led disruption has put the onus on traditional insurers to modernize legacy systems, enhance digital touchpoints, and pursue strategic partnerships or acquisitions to remain competitive. Traditional insurers are increasingly adopting technologies like artificial intelligence (AI), machine learning, and robotic process automation to streamline underwriting, accelerate claims handling, and improve fraud detection, thus paving the way for seamless, hyper-personalized digital experiences.

Traditional insurers instead of competing with insurtechs head-on, are collaborating with or acquiring insurtechs —often through Insurance-as-a-Service (IaaS) platforms that offer plug-and-play APIs, data analytics, and automation tools. Such an approach enables traditional insurers to innovate without rebuilding from scratch. The fusion of insurtech agility with the scale and trust of established players is reshaping the global insurance industry, creating a new model defined by collaboration, digital-first strategies, and innovation as a competitive imperative.

Embracing Embedded Insurance

Embedded Insurance is reshaping the global insurance industry by offering coverage instantly, at the right place and time, through seamless integration into the customer's purchase journey. This mode irrespective of whether it's travel insurance while booking a flight or device protection offered during a smartphone purchase, eliminates the need for customers to seek out insurance separately - thus enhancing convenience and accessibility.

Embedded Insurance is gaining momentum globally as traditional insurers unlock new revenue streams by partnering with non-insurance businesses across sectors like retail, fintech, travel, and mobility. These collaborations enable insurers to reach millions of new customers via digital platforms, transforming insurance into a value-added service rather than a separate, often overlooked task.

Embedded Insurance boosts adoption rates, improves customer experience, and enables broader market access, helping insurers stay competitive in a digital-first world. It shifts insurance from being a standalone product to a seamless feature of everyday transactions.

Insuring a Sustainable Future

Insurers are increasingly integrating environmental, social, and governance (ESG) criteria into their underwriting and investment decisions, recognizing that embracing sustainability is now a competitive imperative. This approach enables insurers to effectively manage long-term risks related to environmental and social factors, comply with evolving regulatory mandates, and meet growing customer expectations for responsible business practices.

Insurers are under pressure from regulators, investors, and consumers to support the transition to a greener economy by offering sustainable investment products, incentivizing eco-friendly behaviors, and reducing their own carbon footprints. Embracing sustainability also helps insurers improve risk management, make better investment decisions, drive sustainable growth, and enhance their reputation and trust in an increasingly environmentally conscious market. Sustainability - aligned with global initiatives like the UN's Net Zero agenda, is no longer optional but has become a business necessity that shapes trust, drives innovation, and defines the future of insurance.

Navigating the Cyber Insurance Frontier

The global insurance industry is facing a surge in increasingly frequent and sophisticated cyberattacks, accelerating the demand for cyber insurance. Cyber insurance coverage has emerged as a top priority for businesses and individuals worldwide, prompting insurers to rapidly innovate and develop specialized policies that safeguard against a broadening range of digital threats - ranging from data breaches, ransomware to complex cyber extortion.

Given the constantly evolving nature of cyberattacks, insurers must continuously enhance their risk modeling, underwriting, and coverage solutions to keep pace in today's hyper-connected digital landscape. Cyberattacks are growing in scale and impact and organizations are recognizing that cyber insurance is essential to build resilience, respond swiftly, and operate confidently in today's digital age.

Conclusion

The global insurance industry is undergoing a fundamental transformation. From digital disruption and insurtech collaboration to climate resilience and cyber protection, these trends are reshaping the way insurers operate and deliver value. Those insurers who adapt quickly,

innovate responsibly, and keep the customer at the center will not only stay competitive but lead the future of insurance.