The Social Impact Opportunity in Insurance
Many types of stakeholders are paying more attention to social issues

**Customers**
Two-thirds of consumers are planning to make more sustainable or ethical purchases in the short term

**Employees**
Currently, two-thirds of Generation Z and millennials (which together will make up 75% of the workforce by 2030) expect their employers to have purpose and their jobs to have societal impact

**Standard setters**
Companies are voluntarily working together to develop standards for addressing social issues, especially in ESG areas

**Legislators**
Governments are introducing legal requirements for companies to disclose their performance on social issues

**Investors**
Investors are increasingly considering companies’ social impact commitments in the decision-making process

**Companies**
Companies are pushing suppliers to comply with standards for addressing social issues to mitigate reputational risk

Sources: BCG BrightHouse; expert interviews; BCG analysis.
Note: ESG = environmental, social, and governance.
Insurers can unlock measurable business value by improving their social impact.

- **Increase revenue and the number of new market opportunities**
  - The global insurance-protection gap for health, mortality, and natural-catastrophe risks reached $1.4 trillion in 2020.

- **Boost total shareholder return**
  - ESG leaders outperform laggards by about 4% per year.

- **Become a more attractive employer and increase retention**
  - A 10% increase of purposefulness at work can reduce employee turnover by 8.1%.

- **Improve the company’s reputation and gain trust**
  - An increased level of trust in insurers would encourage additional insurance purchases.

Sources:
- Swiss Re Institute, Resilience Index 2021: A strong growth recovery, but less resilient world economy; Refinitiv; MSCI; BCG analysis.
- MSCI defined ESG leaders as those in the top 20% of its ESG scores and laggards as those in the bottom 20%.
Across business lines, most survey respondents say that financial inclusion and financial well-being should be priorities.

<table>
<thead>
<tr>
<th>Social Issue</th>
<th>P&amp;C retail</th>
<th>P&amp;C commercial and reinsurance</th>
<th>Life</th>
<th>Health</th>
<th>Investment and asset management</th>
<th>Three- to five-year outlook¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial inclusion and financial well-being</td>
<td>75</td>
<td>63</td>
<td>68</td>
<td>71</td>
<td>73</td>
<td>+32%</td>
</tr>
<tr>
<td>Diversity, equity, and inclusion</td>
<td>32</td>
<td>42</td>
<td>25</td>
<td>21</td>
<td>18</td>
<td>+7%</td>
</tr>
<tr>
<td>Health and safety</td>
<td>21</td>
<td>21</td>
<td>20</td>
<td>43</td>
<td>32</td>
<td>+25%</td>
</tr>
<tr>
<td>Human capital development</td>
<td>11</td>
<td>8</td>
<td>25</td>
<td>14</td>
<td>9</td>
<td>+15%</td>
</tr>
<tr>
<td>Human and labor rights</td>
<td>11</td>
<td>17</td>
<td>11</td>
<td>0</td>
<td>18</td>
<td>-3%</td>
</tr>
</tbody>
</table>

¹Reflects the expected increase or decrease in importance. The percentages were determined by comparing companies’ current focus with their forward-looking outlook over the next three to five years, as rated by the respondents.

Source: BCG’s Social Impact Opportunity in Insurance survey.
Note: P&C = property and casualty.
Most insurers still struggle to quantify the business value of social impact programs and, therefore, focus primarily on reputational benefits

**What do you think are the main barriers to successfully addressing social issues at your company?**

**REACTENTS’ TOP THREE BARRIERS (%)**

<table>
<thead>
<tr>
<th>Difficulty quantifying business value</th>
<th>71</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty quantifying social impact or value</td>
<td>53</td>
</tr>
<tr>
<td>Lack of internal skills</td>
<td>47</td>
</tr>
<tr>
<td>Lack of internal buy-in</td>
<td>27</td>
</tr>
<tr>
<td>Budgetary constraints</td>
<td>27</td>
</tr>
<tr>
<td>Organizational structure</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
</tbody>
</table>

**What do you believe are insurance companies’ primary reasons for addressing social issues?**

**REACTENTS’ TOP THREE REASONS (%)**

<table>
<thead>
<tr>
<th>Reputational benefits</th>
<th>76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company purpose</td>
<td>64</td>
</tr>
<tr>
<td>Attracting talent</td>
<td>51</td>
</tr>
<tr>
<td>Regulatory scrutiny</td>
<td>27</td>
</tr>
<tr>
<td>Competitive pressure</td>
<td>20</td>
</tr>
<tr>
<td>Market expansion</td>
<td>20</td>
</tr>
<tr>
<td>Attracting investments</td>
<td>13</td>
</tr>
<tr>
<td>Increasing stock value</td>
<td>9</td>
</tr>
<tr>
<td>Improving profitability</td>
<td>9</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
</tbody>
</table>

*Source: BCG’s Social Impact Opportunity in Insurance survey.*
Insurers’ social impact ambitions tend to fall short for several common reasons

**Diffused ownership**
Ownership of the social agenda is often spread across the organization, with no leader centrally accountable for results.

**Mismatch between priorities and current maturity**
Most insurers say that financial inclusion and financial well-being should be priorities, but the companies are stronger on DEI and human-capital initiatives.

**Fragmented approach**
Many insurers have scattered social initiatives with narrow scopes and few measurable targets, and companies often don’t integrate the initiatives into an overarching business strategy.

**Focus on employees and community**
Insurers are more likely to support social programs that help employees or the community—for example, having initiatives that gather donations or organize volunteers—rather than programs to aid customers.

Sources: Expert interviews; BCG analysis.
Note: DEI = diversity, equity, and inclusion.
Across social impact issues, insurers are more mature on human capital development and DEI than they are on a just transition and financial inclusion.

<table>
<thead>
<tr>
<th>Social impact strategy</th>
<th>Governance and organization</th>
<th>Just transition and climate justice</th>
<th>External engagement and advocacy</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial inclusion and financial well-being</td>
<td>Financial inclusion and financial well-being</td>
<td>Financial inclusion and financial well-being</td>
<td>Financial inclusion and financial well-being</td>
<td>Financial inclusion and financial well-being</td>
</tr>
<tr>
<td>Health and safety</td>
<td>Health and safety</td>
<td>Health and safety</td>
<td>Health and safety</td>
<td>Health and safety</td>
</tr>
<tr>
<td>Human and labor rights</td>
<td>Human and labor rights</td>
<td>Human and labor rights</td>
<td>Human and labor rights</td>
<td>Human and labor rights</td>
</tr>
<tr>
<td>Human capital development</td>
<td>Human capital development</td>
<td>Human capital development</td>
<td>Human capital development</td>
<td>Human capital development</td>
</tr>
<tr>
<td>Diversity, equity, and inclusion</td>
<td>Diversity, equity, and inclusion</td>
<td>Diversity, equity, and inclusion</td>
<td>Diversity, equity, and inclusion</td>
<td>Diversity, equity, and inclusion</td>
</tr>
</tbody>
</table>

Maturity level: Very Low, Low, Middle, High, Very High

Insurers’ maturity level for customer and business partner initiatives is lower than it is for investor programs; insurers’ maturity level is high and very high for community and employee initiatives, respectively.

Most insurers are at the middle maturity level regarding their social impact strategy, creating an opportunity for those that can improve.

How mature is your company’s social impact strategy?

**Beginner**
No overarching social agenda
A few scattered initiatives are implemented, most are aimed at boosting the company’s reputation and employees’ engagement

**Evolving**
No cohesive social impact strategy
Opportunistic, targeted business initiatives are in place, but they lack a cohesive strategy and thematic selection, and few stakeholders are involved

**Established**
Social programs are integrated at scale
A strategic approach to social impact has defined goals, at-scale initiatives, and a solid business case

**Leader**
A social agenda is a core driver of the enterprise strategy
A social agenda is a central pillar of the business strategy; the agenda calls for at-scale initiatives and clients and suppliers are actively engaged

**Pioneer**
A social impact strategy is a competitive advantage
Social impact is an engine of growth and a defining attribute; the company helps shape the industry’s social agenda as well as the agendas of clients’ and suppliers’ value chains

Source: BCG’s Social Impact Opportunity in Insurance survey.
Note: Because of rounding, percentages do not add up to 100.
Insurers spread ownership of the social agenda across the organization, with no leader accountable for results, and many limit their use of incentives.

Which departments have the primary responsibility to deliver your company’s ambition on social issues?

<table>
<thead>
<tr>
<th>Respondents’ Top Three Choices (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources</td>
</tr>
<tr>
<td>ESG unit or sustainability leader</td>
</tr>
<tr>
<td>Business lines</td>
</tr>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>Foundation or philanthropic arm</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Marketing and communications</td>
</tr>
<tr>
<td>Operations and supply chain</td>
</tr>
<tr>
<td>Legal</td>
</tr>
</tbody>
</table>

Does your company incentivize functions to achieve social targets? If so, which functions?

<table>
<thead>
<tr>
<th>Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No incentives</td>
</tr>
<tr>
<td>Incentives only for the operational functions</td>
</tr>
<tr>
<td>Incentives for the operational and business functions</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: BCG’s Social Impact Opportunity in Insurance survey.
Note: ESG = environmental, social, and governance.
Life insurance and asset management are more mature in terms of financial inclusion, while P&C and health have room for improvement.

How mature is your company’s social proposition on financial inclusion?

<table>
<thead>
<tr>
<th>Maturity level</th>
<th>Low</th>
<th>Middle</th>
<th>High</th>
<th>Very High</th>
</tr>
</thead>
<tbody>
<tr>
<td>All business lines</td>
<td>39%</td>
<td>32%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>P&amp;C</td>
<td>46%</td>
<td>23%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Health</td>
<td>57%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Life and asset management</td>
<td>31%</td>
<td>31%</td>
<td>16%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Initiatives are often tracked, but they are not included in the overarching business strategy.

Initiatives are highly integrated into the business strategy.

Source: BCG’s Social Impact Opportunity in Insurance survey.

Note: P&C = property and casualty. Because of rounding, percentages do not add up to 100.
To improve financial inclusion, leading companies apply a systematic approach

**Target setting**
Extensively analyze a market to identify potential customers for whom affordability is borderline

**Idea generation**
Assess how to meet prospects’ needs by adjusting product attributes (such as distribution and pricing)

**Business validation**
Build a high-level operating model and business case

**Product rollout**
Create a detailed target operating model and launch a minimum viable product

---

**EXAMPLES**

**Distribution:** Make products available in retail settings and use a diverse sales network

**Payment:** Let customers easily switch monthly payments on and off

**Offering:** Provide speedy claims reimbursement

**Additional services:** Couple an insurance policy with an interest-bearing savings account

---

**Sources:** Expert interviews; BCG analysis.
The energy transition can also affect vulnerable populations, but most insurers aren’t taking steps to address the negative effects

Is your company accounting for the potential adverse social impacts of its climate transition projects?

- **We do not account for them**
  No management of the adverse social effects of the green transition

- **We aim to avoid significant harm**
  Identify and avoid activities that have a significant negative impact on fundamental social rights

- **We mitigate unavoidable externalities**
  Identify potential adverse social impacts and set up compensative actions to neutralize the effects

- **We create positive impact**
  Achieve a substantial positive social impact by designing environmental strategies together with social strategies

**COMPANIES (%)**

- 19
- 38
- 31
- 12

**Source:** BCG's Social Impact Opportunity in Insurance survey.
Leading insurers apply the just transition concept along their entire value chain

**Investments**
- **Thematic funds** that are tailored to include companies that ensure a just transition along with strong financial returns
- **Stewardship program** to educate companies and support them in undertaking a just transition

**Underwriting**
- **Natural-catastrophe risk products** that are bundled with additional services to enhance resilience and protect vulnerable populations
- **Income-protection products**, created in partnership with corporations and governments, that secure a smooth transition for industries impacted by climate change

**Operations**
- **Upskilling and reskilling practices and advisory services** to shift toward greener underwriting and investment practices and protect employees from job loss
- **Partnerships with nongovernmental organizations** to offer financial and workforce support for disaster relief activities in response to natural catastrophes

**Supply chain**
- **Partnerships with external tech providers** to deploy tech solutions that can remotely assess claims in case of extreme catastrophic events
- **Dedicated platform** that provides suppliers with climate transition support, such as information on navigating government subsidies and reporting practices

**Sources:** Expert interviews; BCG analysis.
Most insurers track and report input metrics, but far fewer track and report their overall impact on society or business performance.

What is the scope of social impact reporting at your company?

**RESPONDENTS (%)**

- **Total**: 100
- **No social metrics in place**: 13
- **Social metrics in place**: 88

**What is the scope of social impact reporting at your company?**

- **Inputs**: Amount invested in upskilling program\(^1\)
- **Outputs**: Number of people participating in a program\(^1\)
- **Impact**: Reduction of regional pension gap\(^1\)
- **Business metrics**: Sustainability return on investment\(^1\)

**Sources:** Expert interviews; BCG analysis.

**Note:** Because of rounding, percentages do not add up to 100.

\(^1\)Example of a metric that companies measure.
To improve reporting, insurers should adopt a balanced mix of metrics that covers all phases of an initiative, from input through impact.

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
<th>Outcome</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td><strong>Direct deliverables and activities that result from the investment</strong></td>
<td><strong>Achieve results for the target group</strong></td>
<td><strong>Assess the outcomes relative to counterfactual situations</strong></td>
</tr>
<tr>
<td>Invest financial, human, and material resources</td>
<td>Requires strong business systems, including ones in finance and human resources</td>
<td>Requires a tracking and reporting system that can measure outcomes</td>
<td>Evaluate the results in terms of what would have happened otherwise</td>
</tr>
<tr>
<td>Complexity</td>
<td>Difficult to obtain data when many organizations are involved</td>
<td>Some interventions may not have a direct, easily measurable output</td>
<td>Difficult to identify counterfactual situations</td>
</tr>
<tr>
<td>Examples of social metrics</td>
<td>Direct deliverables and activities that result from the investment</td>
<td>One intervention can have multiple outcomes</td>
<td></td>
</tr>
<tr>
<td>· Amount invested in initiatives for community engagement</td>
<td>· Needs a well-established tracking and reporting system</td>
<td>· Requires a tracking and reporting system</td>
<td>· Reduction in the natural-catastrophe protection gap</td>
</tr>
<tr>
<td>· Number of full-time equivalents working on social initiatives</td>
<td>· Some interventions may not have a direct, easily measurable output</td>
<td>· One intervention can have multiple outcomes</td>
<td>· Decrease in the gender pension gap</td>
</tr>
</tbody>
</table>

**Sources:** Expert interviews; BCG analysis.
Best practices to build a stronger social agenda for insurers

1. **Prioritize and set a strategy**
   Identify two or three social issues that are explicitly linked to the company’s overall strategy and purpose, factoring in organizational challenges and strengths, along with a deep understanding of the customers’ needs.

2. **Set clear accountability**
   Move beyond the current, scattered ownership for social initiatives. Make one leader and a team explicitly responsible for the company’s overall social agenda, and give them control over the associated budgets and incentives.

3. **Empower businesses to act**
   Develop new offerings that target social issues, and develop business plans that apply a longer time horizon to reach profitability, compared with that of traditional products and services.

4. **Tailor projects to the needs of local markets and customers**
   Factor in the socioeconomic context and regulatory landscape when designing social initiatives, making modifications to meet the needs and requirements of local markets.

5. **Measure and report**
   Shift from reporting on activity toward a balanced set of input, output, and impact metrics, and report the company’s overall performance to stakeholders.

**Sources:** Expert interviews; BCG analysis.