STUDY

From policy to practice:

Understanding the ESG expectations of insurance customers along the customer journey

WAVESTONE

Summary

Unlocking Global Insights: Key findings from our second sustainability survey with focusing on Germany, Switzerland, the UK, France, the USA, and Canada

I.

Social First: Participants prioritize S over E and G

Consistent Social Priority: The majority (62% - 77%, depending on the country) consistently place Social ahead of Environmental and Governance factors.

Governance and Environment Close Behind: Governance (59% - 71%) and Environment (53% - 69%)

Cross-Country Consensus: The rankings show a stable trend across surveyed nations, reinforcing the global importance of Social.

II.

Sustainability as strategy enhancer

Competitive Advantage: Insurers leveraging sustainability beyond compliance can differentiate themselves in a market increasingly driven by ESG considerations.

Driving business value: Leveraging customer willingness to pay more and adopt new initiatives to ultimately strengthening profitability and operational efficiency.

III.

Targeted Sustainability

Balanced Customer Engagement: A tailored approach ensures sustainability-conscious customers feel valued while avoiding resistance from less interested groups.

Targeted Communication: Microtargeting helps address different priorities without creating friction, positively influencing both sustainability-oriented and non-affinity customers.

IV.

Localized and segmented Sustainability

Regional Adaptation: A localized approach ensures brand messaging aligns with cultural and regional expectations, enhancing relevance.

Balanced Brand & Product Strategy: Segmentation, rather than full prioritization of sustainability, ensures that non-affinity customers are still engaged, maintaining a broad and inclusive market appeal.

V.

Capitalizing on interest in Sustainability

Customer Demand for Knowledge: Many customers are interested in sustainability but lack the expertise, presenting an opportunity for knowledgeable guidance.

Differentiation Through Expertise: Providing expert advice on sustainability creates a compelling value proposition, fostering engagement and customer loyalty.

VI.

Opportunity for a fresh start

Sustainability Drives Innovation and Reshapes Business Models: The sustainable shift provides opportunities to rethink traditional processes, embrace new technologies, and create value-driven solutions, ultimately fostering long-term growth and competitive differentiation in a rapidly evolving market.

Introduction

Abstract

This study examines the importance of ESG (Environmental, Social, Governance) factors for insurance customers and their influence on decision-making processes within the insurance sector. Specifically, it **analyzes how customers consider ESG aspects (such as environmental protection, social responsibility, and responsible corporate governance) when selecting insurance products.** For this purpose, a total of 7040 data points were collected from 6 countries, each representative of the respective market. A key focus in the analysis of this strong empirical background is on the **willingness to pay for sustainable insurance products**: respondents indicate whether, and to what extent, they would be willing to pay higher premiums for insurance policies aligned with sustainability principles. The study also explores **customer awareness of sustainability in insurance services**, as well as the **role ESG criteria have played and will play in past and future insurance purchases**. Furthermore, it evaluates how **customers perceive the discussion of sustainability preferences during advisory sessions.** The perception of insurance companies regarding ESG, along with brand perception related to sustainability are also key areas of investigation. This **customer ESG-rating is then compared to the likelihood of recommending an insurer**. This is measured through NPS and S-NPS (Sustainability Net Promoter Score): A refined version of NPS that considers sustainability factors. It is specifically asked whether the company is recommended based on sustainability. The proportion of promoters with ratings of 9-10 is then analyzed. Finally, the study assesses **customer opinions on sustainable product features and measures**, particularly in relation to claims handling and operational processes.

In a nutshell

+7000 data points collected	**6** countries analyzed

The underlying study and data presented here are based on a consumer survey conducted by the market research institute YouGov. The results do not reflect the opinions of Wavestone. YouGov is an international online research data and analytics technology group with a reputation for providing accurate and actionable consumer insights.

Introduction

Motivation

Sustainability has emerged as a central issue for companies worldwide, as environmental responsibility is increasingly linked to long-term success and corporate reputation. Insurers are facing growing pressure from end customers, investors, and governments to reduce their environmental impact and implement more sustainable practices.

This extends beyond mere compliance with regulations—sustainability is now viewed as a driver of innovation, risk management, and competitive advantage.

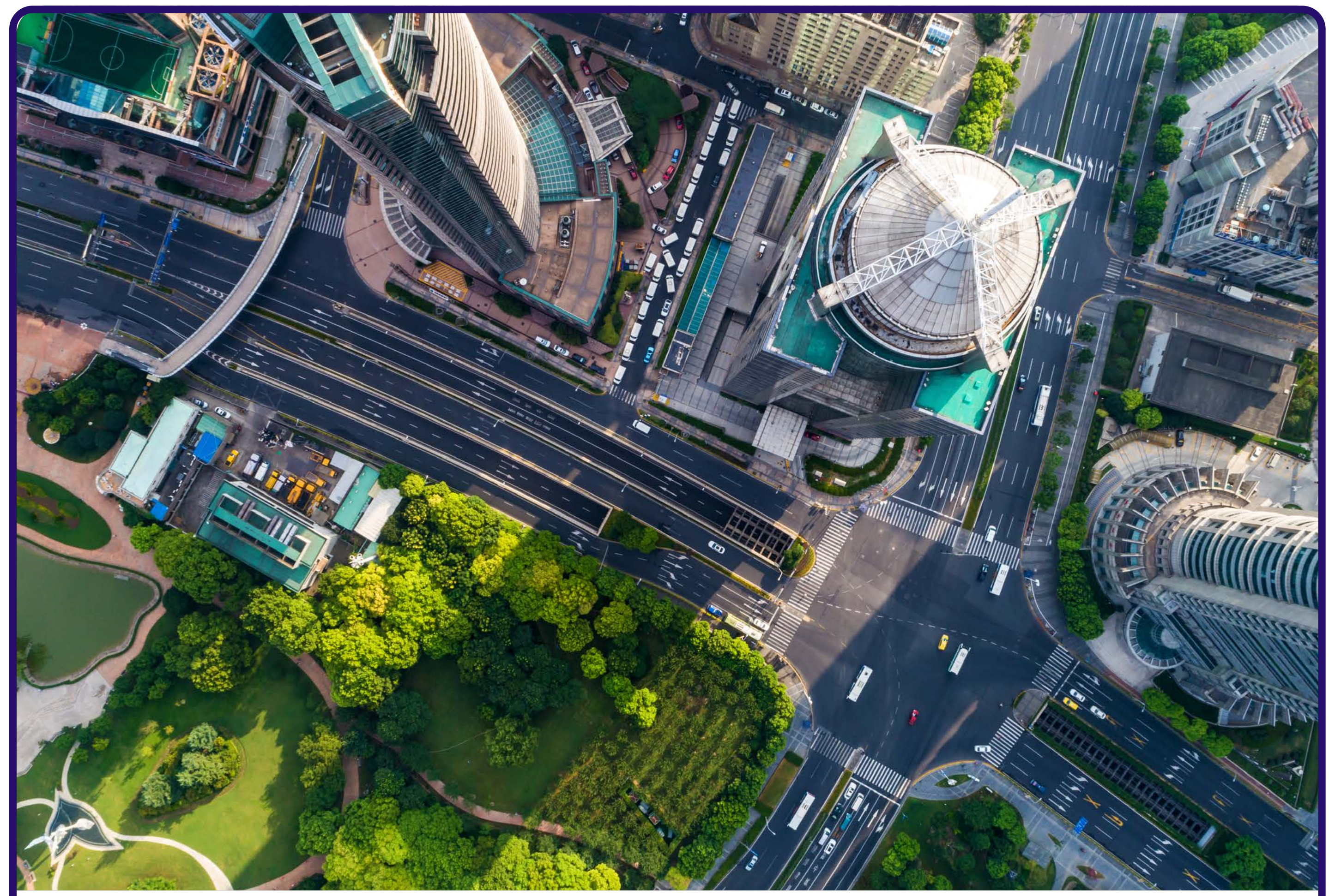
By integrating sustainability into their core strategies, organizations can contribute to the global fight against climate change while securing their future viability and creating value for all stakeholders.

Nevertheless, the trend towards greater sustainability is weakening in some areas. ESG investments on the capital market are becoming less popular than expected and the political climate in countries such as Germany and the USA is showing a slight shift away from green parties. It is therefore even more interesting to ask how customers internationally are now actually positioning themselves with regard to sustainability in insurance.

This year, the focus of our sustainability study is expanded to include an international perspective, as examining diverse markets is essential for gaining a more comprehensive understanding of global sustainability trends.

Our objective is to determine whether certain countries are already leading in sustainability and to identify the key drivers behind these developments. We aim to investigate whether these advancements are primarily influenced by country-specific regulations, economic conditions, or a more pronounced sustainability mindset within the population.

This approach will provide valuable insights into how different countries address sustainability and which success factors may be transferable. Additionally, we will explore whether it is possible to learn from the strategies and approaches of other countries to enhance our own sustainability efforts and implement more successful long-term sustainability concepts.



The study addresses the following research questions:

1. What significance do end customers in the insurance sector attribute to the topic of sustainability across various markets (USA, Canada, UK, Switzerland, France, and Germany)?
2. What significant differences exist between international customer groups regarding their sustainable preferences and behaviors?
3. How do customers in the respective markets rate insurance companies in terms of sustainability and is this assessment linked to customer satisfaction?

Methodology for the end customer survey

Sample and implementation

The quantitative survey was conducted as an online survey in collaboration with the market research institute YouGov. The survey was conducted between June 25 and July 5, 2024. Data was collected from four European countries (UK, Switzerland, France, Germany) and two North American countries (USA, Canada).

The sample size per country is shown in Table 1.

Representativeness

The results of the survey were collected from the established YouGov panels and weighted according to the socio-demographics of the respective country. They are therefore representative of the population aged 18 and over in the respective country.

The gender percentages shown below for each country are representative of men and women.

Country	USA	CANADA	UK	SWITZERLAND	FRANCE	GERMANY
Sample size	1.000	1.006	1.002	1.000	1.007	2.025

Table 1: Sample sizes by country

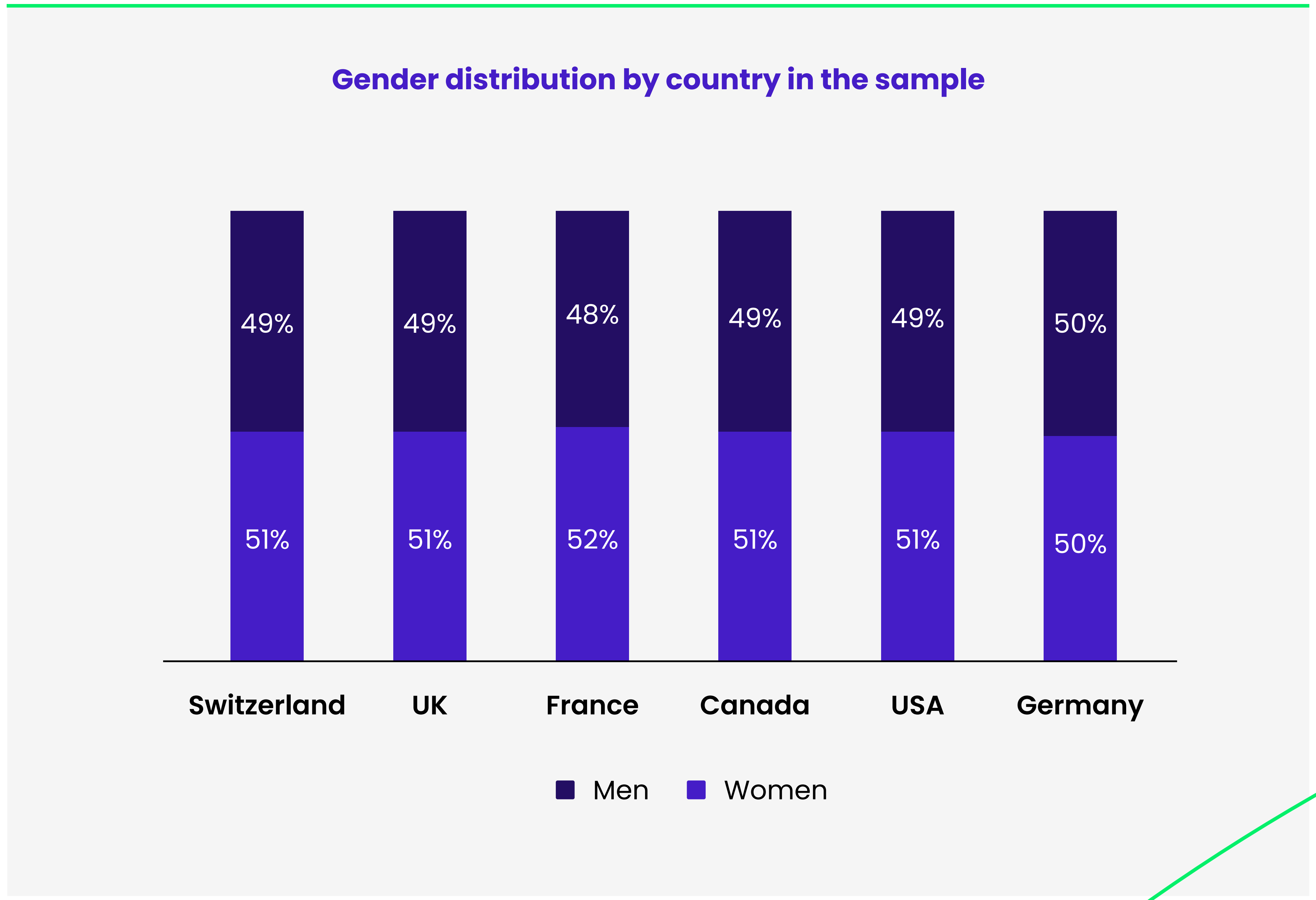


Figure 1: Gender distribution by country in the sample

Even across the age categories, the sample proportions shown below are based on the age distribution of the respective country.

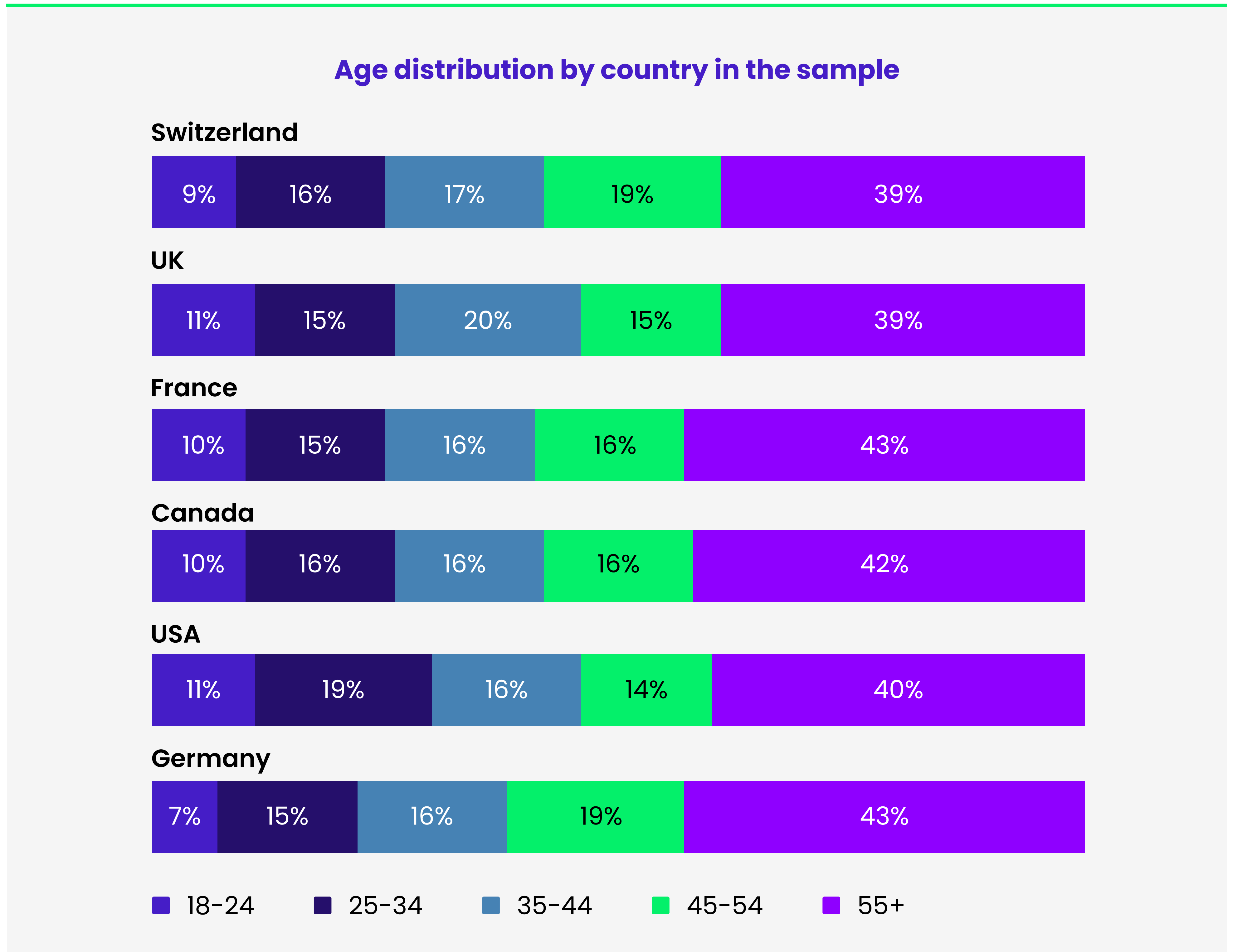


Figure 2: Age distribution by country in the sample

Statistical analysis and definition of terms

All analyses relate to one country or are given for all countries individually, as the representativeness exists for each country. When analyzing the company-specific questions, only the insurance companies were included in the analysis if they were mentioned in all questions by more than 30 people in the respective country.

In the following, some terms used in the analysis of the survey that refer to variables or questions from the questionnaire will also be explained. This is limited to variables that do not already fully arise from the name.

In this context, **"importance of ESG"** is understood to mean how important a respondent considers an insurance company's contribution to a sustainability dimension to be.

Questions on **"willingness to pay more"** in the questionnaire referred to the proportionately higher willingness to pay for a sustainable product in terms of all three areas of responsibility: environmental protection, social responsibility and responsible corporate governance. **"Customer perception of ESG"** was determined by first identifying customers of a company in the sample. These customers were then asked to rate the insurer in the respective sustainability dimensions. For the **"brand perception ESG"**, all respondents were asked to name insurance companies that they perceive as explicitly sustainable or explicitly not sustainable. For the **"S-NPS"** value, the customers of a company were asked about the probability of a recommendation based on the sustainability of the company.

Topic 1

Regulatory: How are evolving ESG regulations shaping the future of insurance?

The ESG landscape: A catalyst for transparency and risk management

The rapidly and continuously evolving ESG landscape presents several regulations in the target markets, that are focused on improving transparency on capital flows and climate-related risk management. Consequently, several non-financial disclosure requirements on sustainable investments, risk management, product oversight, governance, as well as concerning the impacts of business operations have been introduced.

Transparency on how insurance undertakings integrate climate change risks into their business emerges as a key focus in regulatory discussions.

EU: Leading the charge in sustainable finance

The EU has evidently taken a lead in structuring a sustainable finance framework in alignment with its international commitments on climate and sustainability objectives. Key elements include:

- **EU Taxonomy**
  Designed to support the transformation of its economy to meet its 2050 climate targets, its robust sustainable finance framework enforces integration of ESG factors and sustainability risks into the financial system. The pioneering EU Taxonomy is a unified classification system that defines sustainable economic activities applicable throughout the EU and forms the premise for the more complex and integrated forthcoming financial disclosure obligations.
- **Corporate Sustainability Reporting Directive (CSRD)**
  Large corporations in the EU are now subject to the Corporate Sustainability Reporting Directive (CSRD) which requires disclosure on risks and opportunities arising from environmental and social issues in accordance with the European Sustainability Reporting Standards (ESRS).
- **Sustainable Finance Disclosure Regulation (SFDR)**
  The Sustainable Finance Disclosure Regulation (SFDR) requires insurers and other financial institutions to disclose how ESG factors are integrated into their investment processes.
- **IDD and Solvency II**
  EU's existing legislations towards insurers such as the Insurance Distribution Directive (IDD) and Solvency II have also integrated ESG and climate-related factors into their reporting mandates, based on European Insurance and Occupational Pensions Authority's (EIOPA) technical guidance.
- **Corporate Sustainability Due Diligence Directive (CSDDD)**
  Furthermore, the new Corporate Sustainability Due Diligence Directive (CSDDD) mandates large companies to actively manage and reduce the risk of human rights and environmental violations within their operations and supply chains.
- **German LkSG (Lieferkettensorgfaltspflichtengesetz) and German Insurance Supervision Act (VAG)**
  In addition to the comprehensive EU reporting requirements, insurers in Germany are further subject to the LkSG (Lieferketten-sorgfaltspflichtengesetz) for supply chain due diligence, as well as the consideration of ESG within the German Insurance Supervision Act (VAG).

International Efforts: Switzerland, UK, Canada, and the US

The **Swiss** ordinance on climate disclosures, building upon its **The Climate & Innovation Act for 2050** targets, provides guidance to insurers on the disclosures to be included in their climate reporting. The regulations of Switzerland **further seek to maintain alignment with the EU standards** and ultimately **structure an internationally coordinated standard.**

Meanwhile, the **UK and Canada** follow suit in **structuring their own green and climate investment taxonomy frameworks** respectively, followed alongside **regulatory reporting mandates** that address climate-related issues and disclosure. An overarching UK Regime, **Sustainability Disclosure Requirements (SDR)**, is expected to drive mandatory regulatory obligations, based on the Sustainability Disclosure Standards built upon TCFD and ISSB recommendations. **UK's Green Taxonomy** is expected to be published this year, and the **Streamlined Energy and Carbon Reporting (SECR)** regulation is already in force. The **UK Financial Conduct Authority and Prudential Regulatory Authority** have introduced measures to **boost diversity and inclusion** by enforcing detailed reporting metrics, thereby targeting better internal governance understanding of diverse consumer needs in financial services.

Canada's Climate Risk Management Guideline (B-15) by OSFI sets forth expectations for Federally Regulated Financial Institutions (FRFIs) to form and advance on their climate-related disclosures. The country already mandates **reporting on supply chains, corporate diversity, and the Canadian Securities Administrators (CSA)** will require insurers to report on climate and ESG specific information. Moreover, the **Canadian Sustainability Standards Board (CSSB)** is currently developing its S1 and S2 standards, that are largely based upon the ISSB standards to further **strengthen climate-related disclosures.**

In the **US**, sustainability regulatory landscape is **more prominently shaped on a state-level and remains less comprehensive in contrast to EU and UK.** California's Climate Accountability Legislation imposes GHG emissions reporting obligation on large companies. The **NAIC Climate Risk Disclosure Guidelines** for assessing and managing climate-related risks of insurers, is currently adopted by 17 states covering over 80% of national written premium. Additionally, the **Securities and Exchange Commission's (SEC)** newly adopted climate disclosure rules will necessitate **reporting on climate-related risks material to the strategy, operations, or financial condition of a company starting in 2025.**

ESG's impact across the insurance value chain

ESG developments and regulations potentially impact the entire value chain of insurers, whilst providing potential new revenue streams and markets for growth and gaining competitive edge with diverse consumers. Although regulations had initially focused on driving transparency on risk exposure regarding investment funds, **ESG reporting is now extended to cover governance, underwriting and product proposition, distribution and operations, and the claims management and services of insurers.**

Furthermore, heightening regulatory, reputational and financial risks drive consumers to accelerate ESG action along the value chain given a stronger market and customer scrutiny. Transparency on how insurance undertakings are integrating climate change risks into their business and implementing TCFD recommendations emerges as a key focus topic in the regulatory discussion. Consumers are increasingly more aware of ESG aspects and may seek more sustainable products with substantiated claims from insurers propositions. New regulations such as the Green Claims Directive that aim at combating greenwashing and ensure the substantiation of environmental claims exhibit the growing customer involvement and its value therein.

EXPERT VIEW

Khusboo Mallik
Senior Consultant and
ESG expert at Wavestone

Regulatory differences highlight a need for harmonization to drive global sustainability goals.

Toward global harmonization of ESG standards

A **harmonization in international sustainability** standards being developed, stemming from the recommendations of TCFD and ISSB standards, can be seen across the target markets. Efforts are being made **towards ensuring interoperability and alignment between global reporting standards** and **enhancing data quality** to promote greater transparency and comparability of sustainability performance of insurers across the world. **Integrating ESG into the firm's governance and risk management has also become the baseline action** brought into effect by the regulatory mandates, and a strengthened focus around climate stress testing and sustainability focused product development. As sustainability becomes growingly important to insurance consumers, as our previous study from 2023 has pointed out. While regulations are still developing in certain markets, there is an **increased demand perceived from both investors and stakeholders.**

Challenges and opportunities for insurers

Growing number of ESG regulations being introduced to green investments has exhibited a **trend towards increasing adoption of ESG criteria in the decision-making process.** Observations in the **UK and Germany show different approaches** to the integration of ESG principles. **While Germany focuses on rapidly advancing public-private initiatives and technological innovations, the UK concentrates more on regulatory-driven ESG compliance.** Standardized ESG frameworks and strategic collaborations are expected to meet the evolving stakeholder expectations. Close attention is brought to value stream and scope 3 emissions, climate-related risks and opportunities as a result of CSRD in the EU, and the other markets are expected to follow suit. IDD's amendment also leads insurers to enhance their product oversight and governance to embed sustainability considerations. This underlines the **premise of defining eligible and sustainable activities,** facilitated by the new taxonomy frameworks being introduced across markets. Thereby, the industry is getting directed towards more innovative products and business models and incorporating sustainability into product portfolios.

Furthermore, reporting standards are devised to provide information to help investors predict future cash flow of the company itself. Non-financial statements disclose the companies' policies, risks, and respective actions & results for ESG matters and sets market benchmarks to facilitate comparability for consumers and regulations against greenwashing and false claims further protect consumers from misleading product communications.

Whilst there is growing dialogue and guidelines to promote sustainable investment products, reinforced by the regulator's frameworks, the **evolution of sustainable insurance products and features is still either at a nascent stage** or being explored and largely underway in most insurance companies.

It is pertinent for the market players to stay informed and develop strong strategies to integrate ESG into their businesses effectively and address the ever-growing accountability imposed by both regulators and consumers.

Topic 2

Brand: What influence do sustainability aspects have on the brand strategy of insurance companies?

Sustainability offers insurance companies a crucial opportunity to successfully strengthen their own brand. This applies in particular to insurance products that, due to the principle of intangibility, rely more heavily than other companies on customer trust. The present study analyzed the importance that customers from different countries attach to ESG dimensions in insurance companies.

ESG priorities differ across countries

Across all countries, ESG is fundamentally important to a large proportion of the respondents in the context of insurance. Overall, the relevance of the individual dimensions for insurance customers varies depending on the national market, and differences can also be identified within individual target groups. However, one dimension is popular among respondents across all countries and target groups: **the social dimension plays a central role when it comes to sustainability**. In most of the countries surveyed – France, Germany, the UK, Switzerland and Canada – it is considered the most important of the ESG dimensions. This finding underlines the need for insurers to pay particular attention to social aspects in their brand strategy and to emphasize these in their brand communication in order to better meet customer expectations and increase identification with the brand.

With regard to the **other dimensions, "Environment" and "Governance", the international picture is mixed.** While Environment is seen as the most important dimension by respondents in the USA and the second most important by respondents in France, respondents in the UK, Canada and Germany see it as the least important dimension – only in Switzerland are both aspects considered equally important (see figure 3).

Social sustainability resonates universally across markets, highlighting its importance in brand communication strategies.

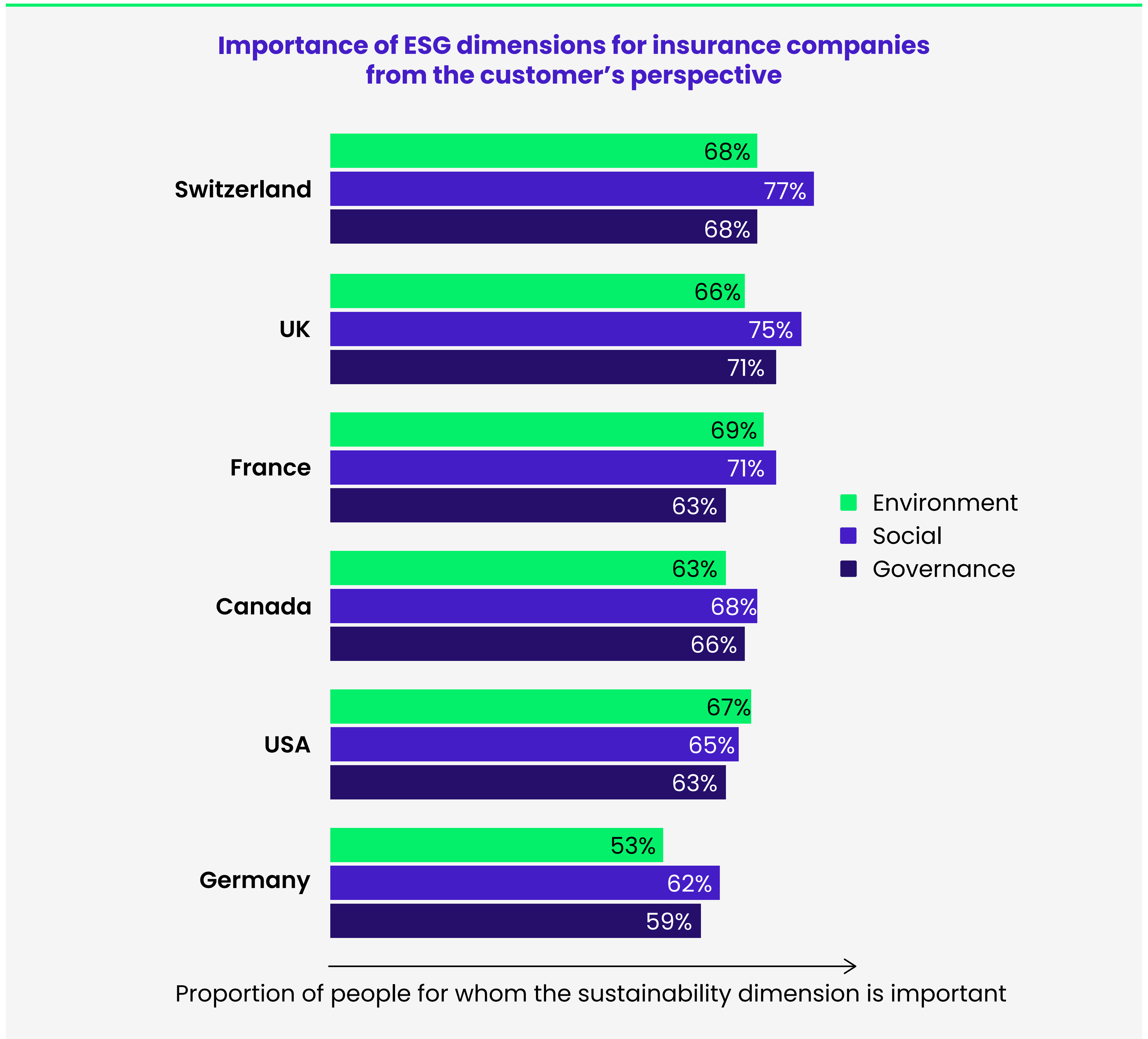


Figure 3: Importance of ESG dimensions by country

International differences in brand perception

The importance of the ESG dimensions in the various markets is also reflected in the different brand perceptions of international insurance brands in the respective countries (see figure 4). This discrepancy in perception shows that international insurers should take into account the specific expectations of the respective populations, general cultural differences and preferences for the ESG dimensions in the respective markets in their ESG communication. They need to develop a global brand strategy that addresses local ESG priorities while creating a consistent and at the same time regionally relevant brand identity. But regional insurance companies also need to adapt their brand strategies to the respective expectations and circumstances of the markets in which they operate.

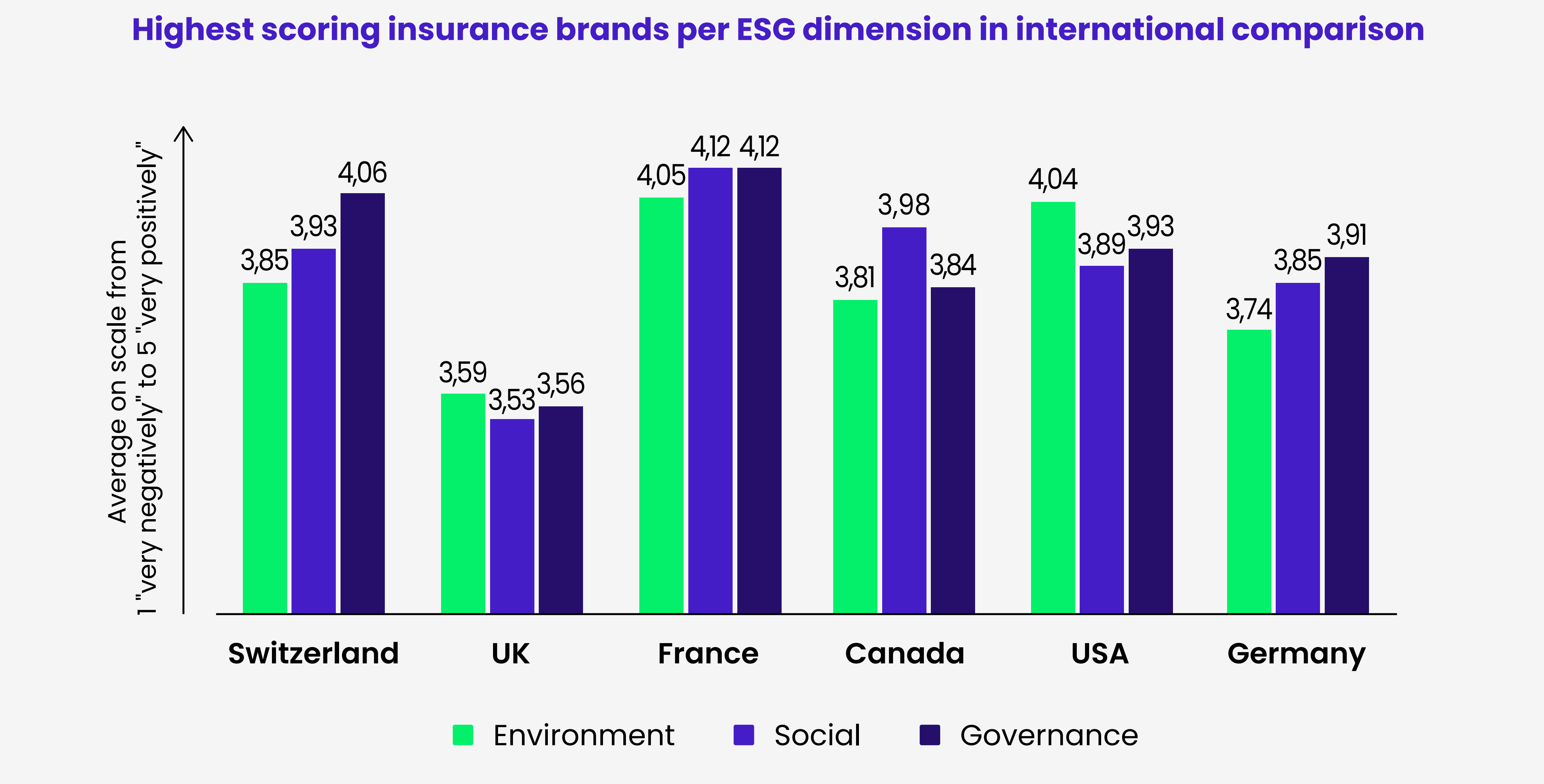


Figure 4: Different brand reputation of biggest insurance companies

Understanding target group expectations

Gender-specific preferences in the evaluation of ESG dimensions can also be seen across countries. **Female customers attach greater importance to ESG overall than male customers.** Another noteworthy result concerns the target group of **customers with children under the age of 18. This target group places significantly more value on sustainable and social corporate practices than customers without children.** In an international comparison, sustainability is more important to these customers than to other customers in all countries, but it is particularly important to families in the US, Germany, and Switzerland. Overall, parents seem to be particularly aware of long-term effects that could directly or indirectly affect their children. Insurance companies should therefore take into account the gender differences and the special attention paid by families in their brand communication and specifically address the concerns and expectations of female customers and parents in order to increase and sustain identification with the brand in the long term. For example, **targeted advertising could emphasize the topics of family health, childcare and work-life balance** and show how insurance companies support these aspects in everyday life.

Creating tailored insurance products specifically geared towards women, such as maternity protection or childcare benefits, would better meet the unique needs of this target group. Insurance companies could also **offer special customer service**, such as personal consultations with female advisors or family-oriented seminars on financial planning. Furthermore, **storytelling based on the real experiences of female customers or parents who have benefited from insurance could create stronger emotional connections.** Finally, **introducing family-oriented loyalty programs**, such as family discounts, health benefits or childcare support, would underscore the company's commitment to family issues. These measures help female customers and parents feel understood and foster a stronger bond with the brand.

EXPERT VIEW

Eva Baumgart
Manager and insurance expert at Wavestone

By addressing the unique needs of women and families, insurers can build stronger emotional connections, foster trust, and create lasting brand loyalty in a competitive market.

Topic 3

Marketing: How can targeted and credible sustainability communication be achieved?

If an insurance company decides to align its business activities more closely with ESG criteria, this includes not only sustainable products and processes but also the targeted integration and information of customers. To do this, insurers need to know and assess their target groups correctly. A marketing strategy that is tailored to the target group and consistent with the sustainability measures taken helps to achieve this and reduces the risk of greenwashing.

The target groups' sustainability preferences should be taken into account when addressing customers

The study analyzed the proportion of people who have knowledge of the term sustainability in the context of insurance. Two main aspects were examined: the proportion of people who know what is meant by the term sustainability in the context of insurance and the proportion of people who have already actively sought information about sustainability at insurance companies. **Overall, it was found that the majority of people in all countries do not know what is specifically meant by the term sustainability in the context of insurance** and that an even smaller proportion of people have actively sought information about it (see figure 5).

To address this issue and ensure reliable statements, the sustainability dimensions and their application in insurance were explained in detail in the questionnaire following this question.

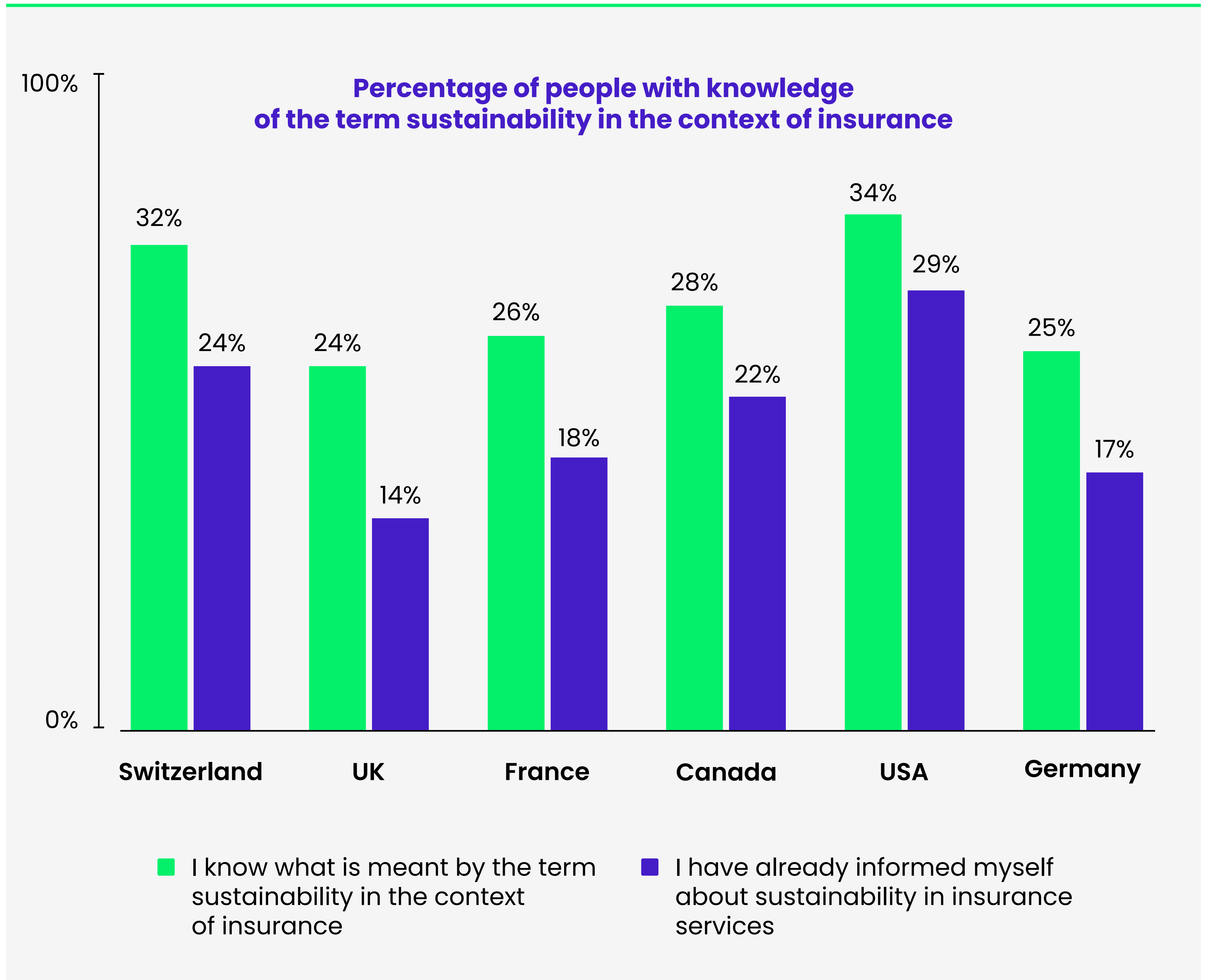


Figure 5: Percentage of people with knowledge of the term sustainability in the context of insurance

In addition, the consideration of individual target groups provides further insights for insurance companies. Across national borders, people with children under 18 are significantly more familiar with the term sustainability in the insurance context than other customers – in particular, Swiss and US parents have a particularly high level of knowledge, with values around 50 percent. This fact reinforces the hypothesis that parents have a particular interest in making positive long-term decisions for their children and thus for society (see figure 6).

The study also shows **that younger age groups between 18 and 34 years of age have a better knowledge of the term sustainability in the context of insurance across all countries.**

These generations are more sensitized due to digital networking and global movements such as "Fridays for Future" and expect companies to take an active role in environmental protection and social responsibility. Interestingly, Switzerland is a slight exception, as older people there also show a high level of understanding of sustainability.

Younger age groups between 18 and 34 years of age have a better knowledge of the term sustainability in the context of insurance across all countries.

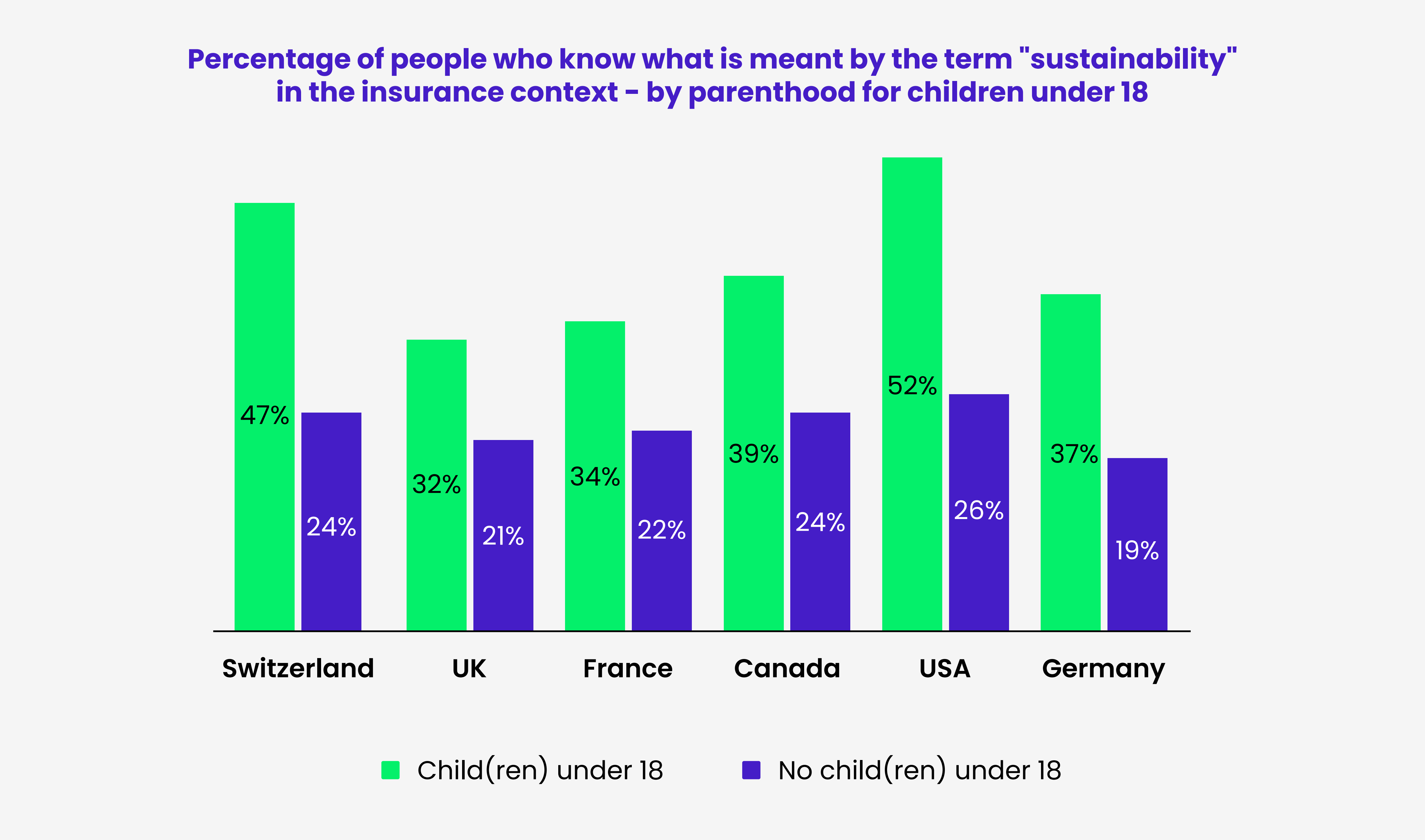


Figure 6: Proportion of people who know what is meant by the term "sustainability" in the context of insurance - by parenting for children under 18

Individualized marketing of sustainability as the most important factor for success

Overall, there is a clear mandate for insurance companies: **Actively close the information gap for customers** with its marketing strategy and brand communication, regardless of the country, and in particular, more successfully market their own commitment and sustainable orientation to customers for whom sustainability is important.

Specifically, their marketing measures are particularly successful when they **focus on the preferences of the different target groups.** In particular, when marketing to families, the long-term advantages of sustainable insurance products and the role of the insurer within a sustainable transformation should be emphasized. Coordinated communication measures should make it clear how the insurance company, in particular, contributes to creating a safe and sustainable future for generations to come. Furthermore, when addressing younger target groups, in line with their preferred media usage, there should be an increased focus on digital and social media to spread messages and highlight the sustainable aspects of the brand and products. For older target groups, on the other hand, more traditional communication channels combined with personal advisory services could be more effective.

Topic 4

Product: Is there a market for sustainable products and product features?

Insurers worldwide are becoming increasingly creative in their efforts to integrate sustainability aspects more closely into their product landscape.

In recent years, a large number of new product features have come onto the market that combine environmental responsibility with the growing demands of customers. Sustainable innovations are finding their way not only into the non-life sector, but also into life, disability and health insurance.

The industry is faced with the task of continuing to develop innovative and sustainable solutions that not only meet the expectations of its customers, but also make a positive contribution to the environment and society. However, as risks such as climate-related disasters become more frequent and severe, there is a growing concern about a potential protection gap, where certain risks may become uninsurable or unaffordable for many.

Sustainable product concepts: Property insurance in particular is convincing

One example in the area of motor insurance is the increasingly common "pay as you drive" model. With this model, premiums are based on the customer's actual mileage, which encourages more environmentally friendly driving behavior and reduces CO_2 emissions. **Discounts for electric vehicles are another popular feature.** Many insurers now offer reduced premiums for owners of electric cars in order to promote the spread of environmentally friendly vehicles.

One particularly innovative product in the North American market is a car insurance product, which offsets the CO_2 emissions of the insured vehicles. With over 500,000 policies sold, this insurance offers the option of fully offsetting emissions for at least 1,000 miles per year. This product appeals particularly to environmentally conscious drivers who want to actively contribute to climate protection.

Sustainable aspects have also been incorporated into building insurance. For example, in the event of damage, most insurers offer energy-efficient reconstruction options, such as replacing gas heating with more energy-efficient systems. This promotes the use of modern, environmentally friendly technologies and reduces energy costs. In addition, **many insurers are increasingly focusing on the principle of "repair instead of replacement"**, which avoids waste and conserves resources. Extended coverage for renewable energy systems, such as photovoltaic systems and heat pumps, are further examples of sustainable developments in this area.

Addressing the protection gap is crucial here, as ensuring continued coverage for these systems helps maintain their accessibility and affordability for a broader population, safeguarding sustainable progress in the insurance sector.

From emission offsets to renewable energy coverage, property insurance is evolving to reflect environmental priorities, but it is also crucial to address the risk of a protection gap.

4

It is observed that large insurers are better able to develop innovative sustainable products due to their resources. At the same time, smaller insurers are particularly well placed to respond to niche markets due to their flexibility.

Expanding sustainable elements in life and health insurance

In the context of life insurance, sustainable products are also gaining in importance, **particularly unit-linked life insurance policies with a high proportion of sustainable funds.** The Article 8 and Article 9 funds (pursuant to the EU Disclosure Regulation) invest in companies that meet strict ESG criteria. In the **life sector, however, there is less potential for new product features** overall, which is why existing products are more likely to be supplemented with sustainable elements, such as assistance services with a focus on social aspects. These include support services in the event of a claim. Amongst others, occupational disability insurance is suitable for this. For example, reintegration measures and support services are offered in the event of a claim, which promote a sustainable return to working life. In addition to this, impact investing is becoming increasingly popular. This involves targeted investment in projects that achieve positive social or ecological impacts.

In **health insurance, on the other hand, there is still room for development.** This applies in particular to the promotion of healthy lifestyles and the inclusion of sustainability aspects such as animal-friendly medicines or bonus programs for vegetarian or vegan nutrition. Nevertheless, positive examples can also be found in Switzerland, where a proportion of the costs for fitness studios or gymnastics are reimbursed. Wearing fitness trackers can also reduce monthly health insurance costs in some cases. However, depending on the country, some customers fundamentally reject this due to privacy and data protection concerns.

Another concept - independent of the insurance line - is the **support of social projects** or the planting of trees when a policy is taken out, which appeals particularly to environmentally and socially conscious customers.

Large vs. small insurers: different strengths in sustainability

It is observed that large insurers are better able to develop innovative sustainable products due to their resources. At the same time, smaller insurers are particularly well placed to respond to niche markets due to their flexibility. As a result, **both large and small insurers achieve similar levels of sustainability in their product innovations** despite different conditions.

EXPERT VIEW

Jasmin Schreg
Managing Consultant
at Wavestone

Health insurers have untapped potential to lead in promoting sustainability and rewarding healthy behaviors.

4

Willingness to pay: significant differences between countries

The **willingness of customers to pay for sustainable insurance products varies by country** and by type of insurance. The results of our study show that in Switzerland, France and US, the willingness to pay a premium for sustainable products is particularly high. In these countries, there is a consistent median premium of 10% for composite, health and life insurance.

In Germany, however, the additional willingness to pay is around 5% in all areas. The importance of sustainable products in this market is not yet at the same level as in other countries. The additional willingness to pay is lower in the UK and Canada. However, half of the customers are still willing to pay at least 3% more for sustainable insurance products (see median values in figure 7).

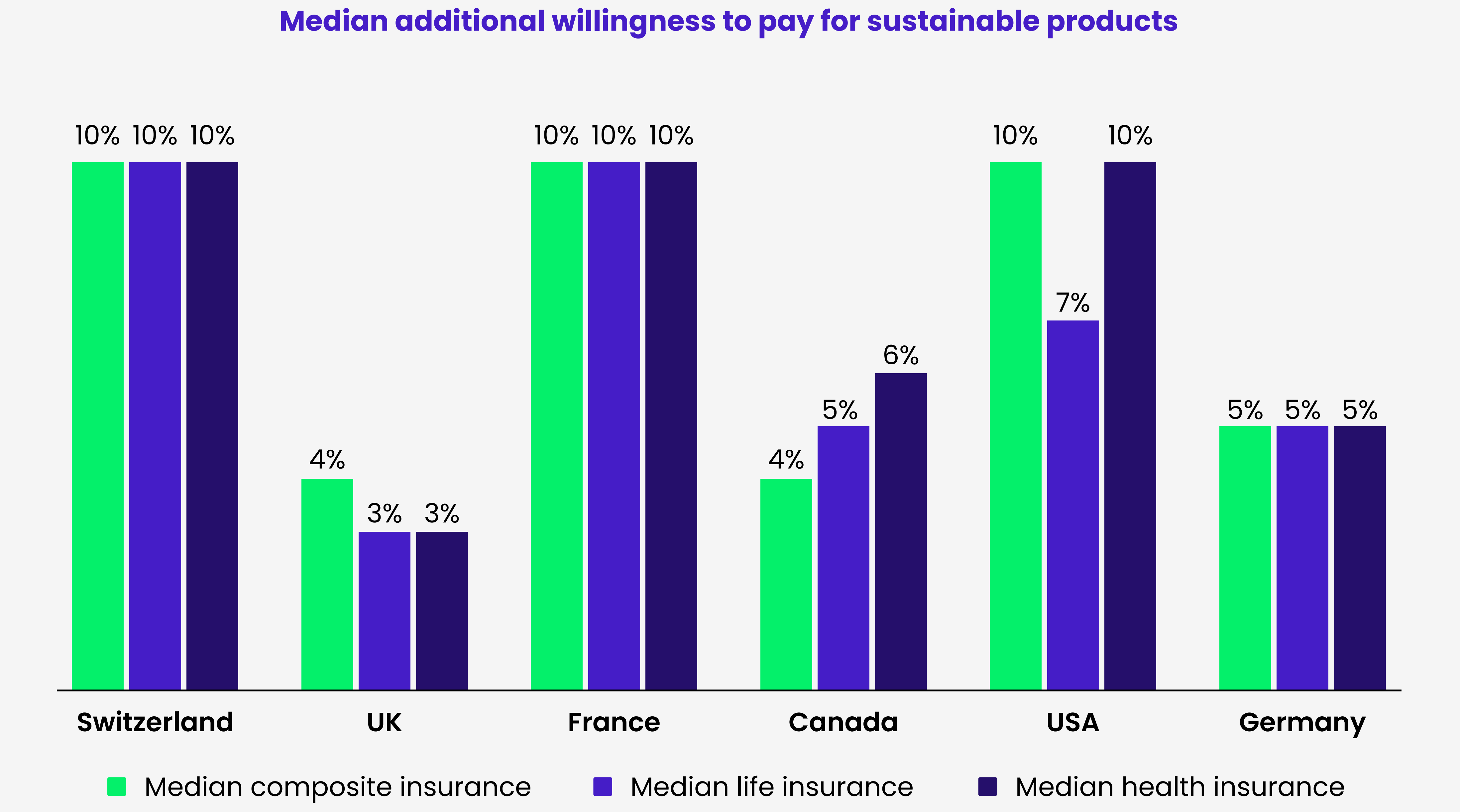


Figure 7: Median additional willingness to pay for sustainable products

10%
is the median additional premium customers in Switzerland, France, and the US are willing to pay for sustainable insurance products.

5%
additional willingness to pay in Germany, lower in the UK and Canada.

Development of sustainable products and product features in line with customer needs

Overall, it is clear that **sustainable product innovations are already taking place in all lines of business** and areas of the insurance industry, with the non-life sector being somewhat more flexible. The survey's findings regarding willingness to pay underscore the importance for insurers of adapting their products and the way they communicate them to specific market needs to achieve greater acceptance and willingness to pay. Insurers are faced with the **major challenge of continuing to develop innovative and sustainable solutions** that meet the expectations of their customers while also making a positive contribution to society and the environment.

Topic 5

Sales: What influence does the sustainability aspect have on insurance sales internationally?

The sale of insurance products is one of the most important points of contact between customers and insurance companies. This is also reflected in the increasing regulatory requirements of recent years, which are intended to regulate interaction with customers and the inclusion of sustainability aspects in advisory services.

In Europe, the IDD amendment is of particular note in this regard, as it stipulates that customers' sustainability preferences must be included in the decision-making process when advising on investment products. These requirements represent a major challenge for insurance sales, as sustainability aspects have rarely been considered by customers to date.

This is illustrated by the small number of end customers who have included at least one ESG criterion in their decision when concluding insurance policies in the past.

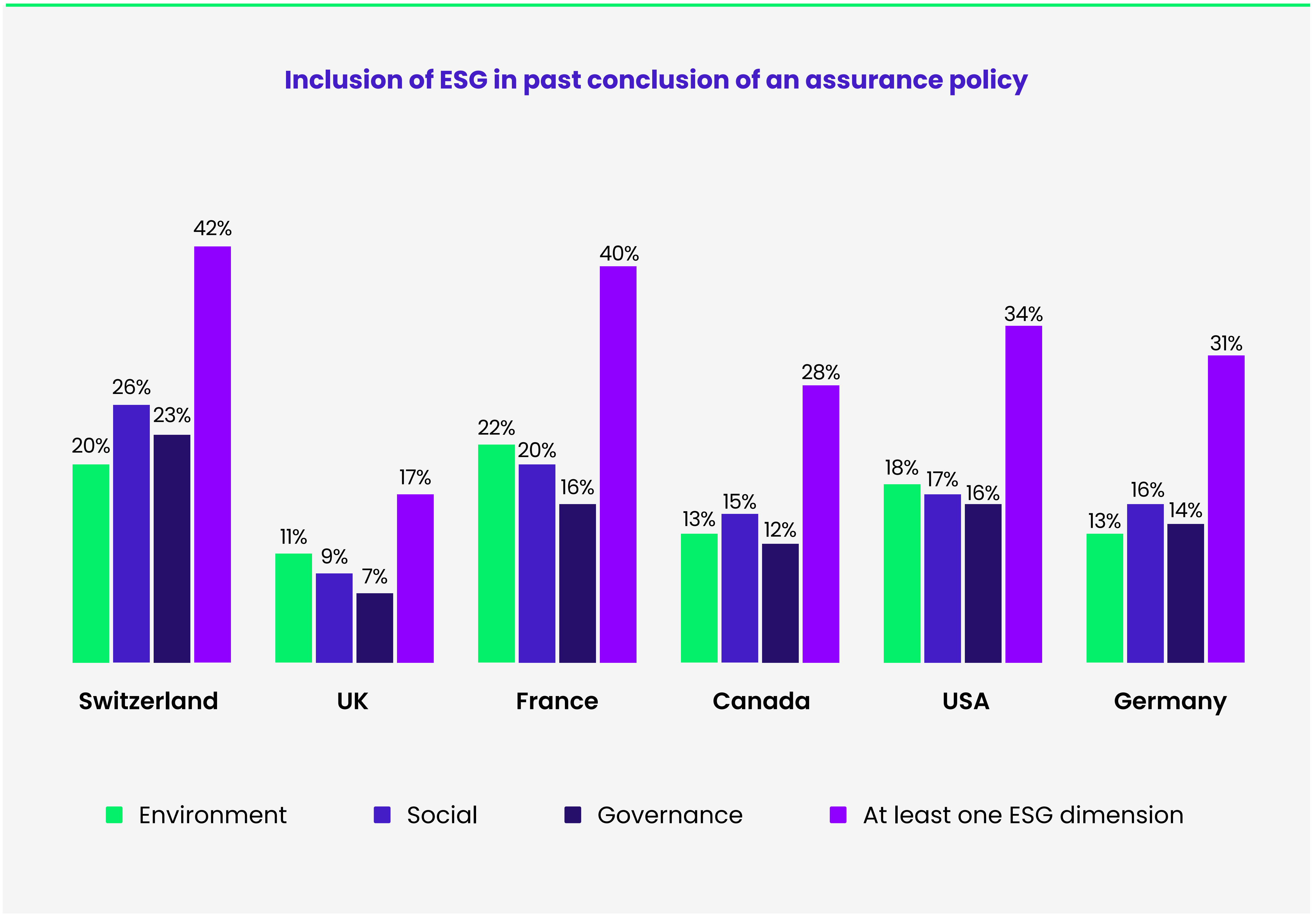


Figure 8: Inclusion of ESG in past conclusion of an insurance policy

5

Customer behavior: Swiss customers lead in ESG consideration

Swiss customers are leading the way when it comes to considering ESG criteria, with 42% of respondents stating that they had included at least one ESG criterion. By contrast, only 17% of UK customers had considered ESG criteria, putting them at the bottom of the market comparison. Interestingly, **clients in markets with few regulatory requirements, such as Switzerland or the US, are more likely to include sustainability aspects than in other markets**. Beyond that, no clear trend can be seen regarding the weighting of individual aspects. While in Switzerland (26%), Canada (15%) and Germany (16%) the focus of clients is on social aspects, in the other markets the focus is on environmental aspects. Only the **governance aspect is largely considered to be of secondary importance by customers**. This could be due to the fact that the term ‘governance’ often requires further explanation. Unlike the other two dimensions, governance is less tangible for customers and it is more difficult for them to assess how insurance companies implement it. This explains why customers are less likely to include this aspect in their decision-making, although it is fundamentally important to them.

Another explanation could be that customers have a fundamental mistrust of companies due to the industry’s general reputation and therefore have fewer expectations of the dimension.

When comparing the supporting sales processes in the different markets, it becomes clear that the **query of sustainability preferences is implemented primarily when there is a regulatory requirement.** The focus is then on fulfilling this requirement, rather than on a customer-oriented and intuitive presentation. This can be seen above all in the wording of the questions asked, where comprehensibility is often subordinated to legal certainty. This responsibility is left primarily to the sales teams. In the German, French and British markets, however, a wide range of training and support is available. The fact that it is **worthwhile for insurance companies to invest in supporting sales processes** and in the training and further education of advisors is underscored by the fact that younger people in particular want to include ESG dimensions in their decision for an insurance policy in the future. These are an important and highly sought-after target group for insurance companies.

42%
of Swiss customers include ESG criteria in decisions.

only **17%**
of UK customers do the same, highlighting a stark contrast.

Younger generations driving ESG adoption

This group is led by 18- to 24-year-olds in France, 85% of whom intend to do so. At the other end of the scale are young customers from UK (64%) and Canada (67%), although the proportion is still significant. Across all the markets considered, it can be seen that the **influence of ESG aspects decreases with age.** This trend is most visible in the US, where only 33% of the 55+ age group want to consider sustainability in their next purchase decision.

In contrast, there were **very little differences between the genders surveyed.** However, as with other questions, **family situations seem to have an influence on behavior.** Respondents with at least one child under 18 in their family were significantly more likely to say that they would consider ESG dimensions in the future. Switzerland leads the way here with 83%, followed by France with 77%. A sense of responsibility for future generations leads to a greater consideration of ESG dimensions (see figure 9).

Overall, it can be seen across all markets considered that there is a **correlation between the previous inclusion of ESG dimensions and future purchasing decisions.** It is therefore advisable for insurance companies to focus more on asking their customers about their sustainability preferences in sales. This is the only way to ensure that customer preferences are available for future advertising and sales measures and can be taken into account accordingly. In markets where a query is already made due to regulatory requirements, it is therefore worthwhile to **make the processes more customer-oriented and to go beyond the regulatory minimum**. This can create added value for both the customer and the advisor. Individual advertising measures and targeted offers of sustainable insurance products are conceivable here. Even in markets such as the US or Switzerland, where there are few regulatory requirements for insurance sales, customer preferences should be taken into account. In fact, the lack of requirements here allows for even more flexibility.

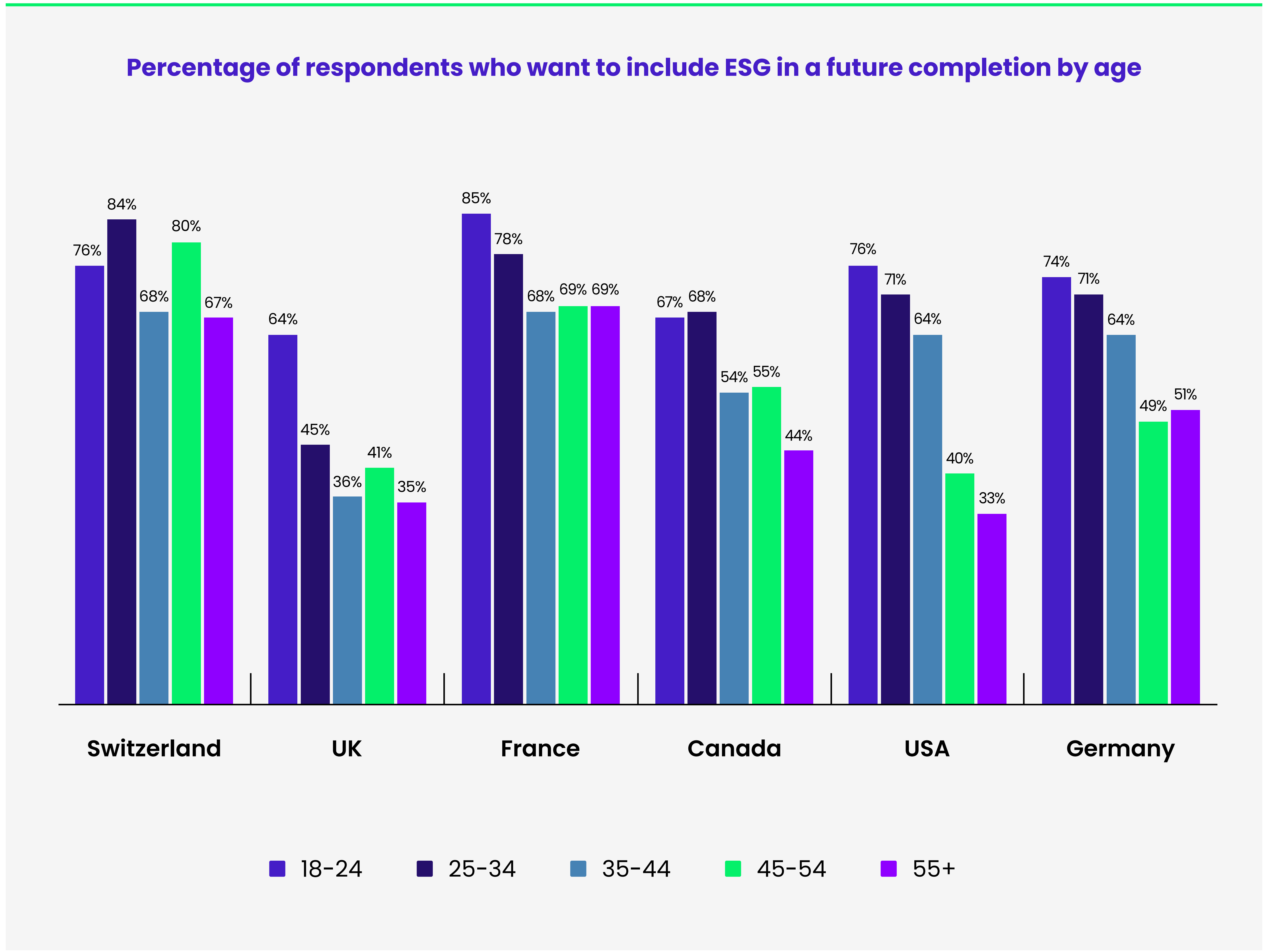


Figure 9: Percentage of respondents who want to include ESG in a future completion by age

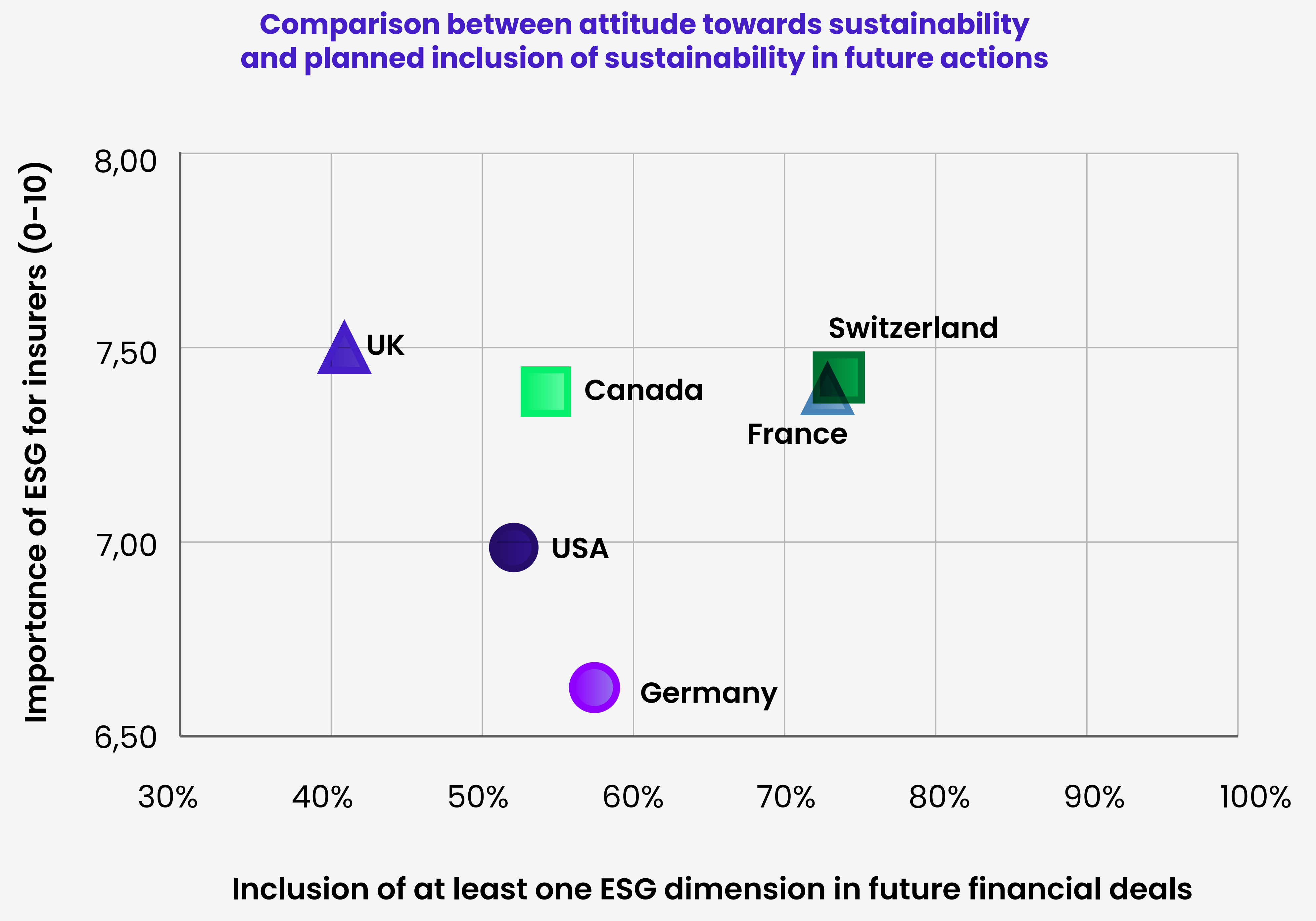


Figure 10: Comparison between attitude towards sustainability (measured through importance of sustainability for insurers among respondents) and planned inclusion of sustainability in future actions (measured through planned inclusion of at least one ESG dimension in future deals)

Can sales overcome the customer attitude-behavior gap?

The importance of sustainability for sales becomes clear when one considers the influence of the importance of ESG dimensions on customers' purchasing decisions. **Customers' personal attitudes have a major influence on their planned behavior in the future.** This is most evident among the surveyed end customers from Switzerland and France. The data from Germany also shows that even if ESG dimensions are comparatively less important to customers, they still base their behavior on them. By contrast, customers from the UK state that ESG is important to them in insurance companies, but they are the least likely to factor this into their purchasing decisions (see figure 10). This is where the **difference between general attitudes towards sustainability and planned individual behavior** is most pronounced. This attitude-behavior gap can possibly be explained by the fact that sustainability has had a strong influence on perception due to widespread media coverage and increasing regulation. However, this perception has not yet been able to translate into concrete purchasing decisions due to entrenched purchasing habits and values.

EXPERT VIEW

Jasmin Schreg
Managing Consultant at Wavestone

The attitude-behavior gap underscores the need for insurers to make ESG dimensions tangible and actionable for customers.

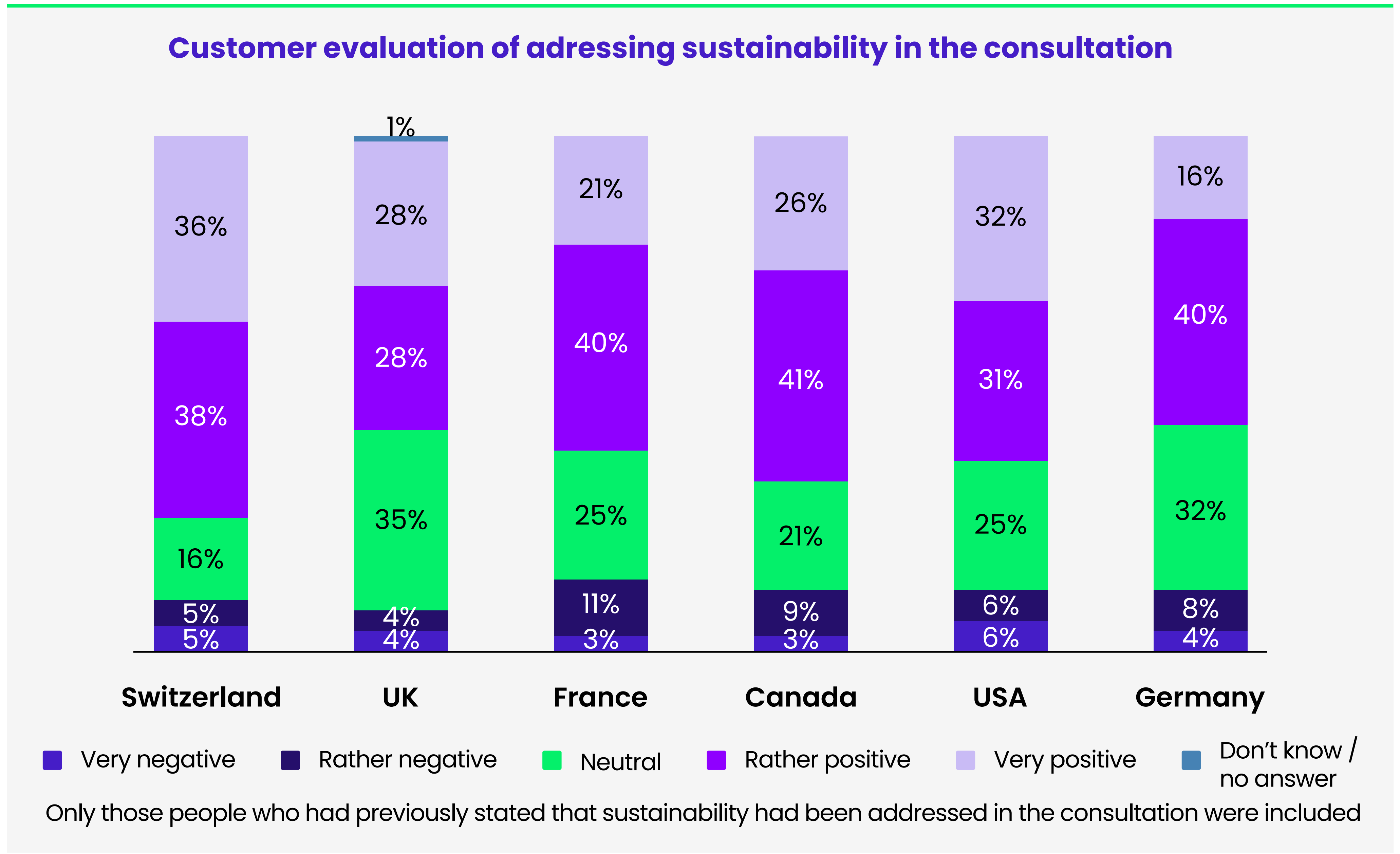


Figure 11: Evaluation of how sustainability is addressed in the consultation

Training and customer-centric processes

However, it can be assumed that the importance of ESG aspects during the purchase decision for insurance products will increase in all markets in the future. This can be attributed to the fact that the relevant, younger age group in particular attaches greater importance to this and is becoming more important as a target group for insurance companies. Various measures can be taken to address this, some of which are already being implemented in various markets. **Agents are trained in a variety of training and continuing education programs** with regard to sustainability in the context of consulting. **Germany, France and the UK are already investing in this area**. The benefits of such measures are also supported by the fact that across all markets, the majority of customers would react positively to a sustainability approach. If it is not viewed positively, then most customers at least have a neutral opinion about it. What is crucial for distributors here is that the risk of scaring off customers and losing a sale by addressing ESG is very low. **France has the highest percentage of customers who would react negatively** (14% in total, see figure 11).

ESG and remuneration: a missed opportunity

In Germany and the UK, measures to develop individual sustainability strategies for insurance agencies are also known. These include **offers and initiatives for sustainable agency mobility, the sale of sustainable insurance solutions and certification as a sustainable agent.** A major lever for aligning sales with sustainability could be the use of **incentives as part of remuneration systems.**

However, no positive examples of this could be found in the market comparison. **Innovative remuneration and incentive systems have still not been implemented in the industry, and the use of KPIs for sustainability is virtually non-existent.** However, possible sustainable KPIs diverge from the traditional remuneration systems, which are largely based on sales and commissions. However, they offer the opportunity to reduce misplaced incentives in sales and at the same time have a positive impact on sustainable perception and customer satisfaction.

ENVIRONMENT DIMENSION

- CO_2 emissions of the agency / intermediary
- Material consumption
- Energy consumption

SOCIAL DIMENSION

- Employee satisfaction
- Social investment
- Diversity and inclusion of the agency's employees

GOVERNANCE DIMENSION

- Adherence to compliance guidelines
- Remuneration transparency
- Sustainable reporting

Figure 12: Possible sustainable KPIs for compensation and incentive systems

The path forward: holistic ESG integration

It can be stated that in the long term, the **importance of ESG aspects will continue to grow due to the younger, influential generation of customers.** However, insurance companies are not yet making enough use of the opportunities arising from a customer-oriented implementation of the diverse regulatory requirements. In particular, the **support of brokers through advisory tools and the integration of remuneration are important fields of action for the future.** Accordingly, insurance companies still have work to do to align their sales holistically with ESG criteria.

Across all markets, the majority of customers would react positively to a sustainability approach.

Topic 6

Operations: What approaches are insurers taking to integrate sustainability into their corporate organization?

In the international market environment, the transformation towards sustainable business processes in the insurance industry is taking a variety of forms. With regard to environmental protection measures, energy efficiency and the reduction of CO2 emissions are particularly important. In addition, investments are increasingly being made in sustainable IT infrastructures and optimized building concepts to reduce the companies' carbon footprint. With a view to their own workforce, insurers are promoting sustainable mobility and are trying to reduce business travel in particular.

Sustainable investments and underwriting

Another major aspect of sustainability in the insurance industry is the adaptation of investment and underwriting strategies. In doing so, companies determine in which areas they invest customer funds, for example by taking into account the MSCI ESG rating, or which risks they want to underwrite. In doing so, they can, for example, refrain from underwriting risks from environmentally harmful or non-transparent business models. **While these strategies promote sustainability, they also carry the potential to contribute to a protection gap if certain high-risk sectors are excluded from coverage.** Furthermore, these decisions may lead to increased transaction costs, as insurers must invest in thorough risk assessments and ESG evaluations to ensure alignment with their sustainability goals. Sustainability reporting has also gained in importance, particularly in Europe due to the Corporate Sustainability Reporting Directive (CSRD) introduced by the EU Parliament in November 2022, which stipulates an extended disclosure requirement.

Social and governance measures: beyond environmental focus

Many insurers are focusing their efforts on the environment and governance, although social aspects, particularly in relation to diversity and inclusion, are also increasingly being integrated. An international comparison shows that **sustainability in Europe tends to pursue a holistic integration of sustainability aspects**, coupled with the obligation to take sustainability into account through regulatory requirements. However, as sustainability initiatives evolve, it is essential to **address the risk of a protection gap**, where certain risks may become uninsurable due to escalating costs or increased frequency of claims linked to climate change. **The challenge for insurers will be to maintain affordable and comprehensive insurance products**, as failing to address this issue could leave vulnerable customers without adequate coverage and thus disproportionately affecting disadvantaged groups, exacerbating social inequalities and undermining the broader goals of sustainability.

North American companies tend to focus on targeted, specific programs, each of which focuses on one or more of the sustainability perspectives. Despite these differences, however, it is clear that the consideration of sustainability is becoming increasingly important worldwide and is given extensive consideration particularly in the area of operations. Additionally, small insurance companies, with their ability to implement sustainable practices more flexibly, may face lower transaction costs and can react more quickly to regulatory and market-specific changes, potentially mitigating some aspects of the protection gap.

In all three ESG dimensions, there are measures that are taken by a large number of insurers to implement sustainability. **Environmental measures dominate the picture**, particularly through the expansion of climate-neutral business processes and targeted building management, the promotion of sustainable investments and the adaptation of underwriting strategies. **In the social area, the focus is on diversity, inclusion and the promotion of a healthy work-life balance.** Governance measures include, above all, a c**ommitment to transparency and comprehensive reporting on sustainability risks and opportunities.**

ESG principles are increasingly shaping the business strategies of the international insurance industry

The analysis shows that sustainability aspects are **increasingly being anchored in the core strategies of insurance companies** and taken into account along the value chain. This is not only a reaction to regulatory requirements, but also to the increasing demand from customers and investors for sustainable insurers. The **European market is more strongly regulated** in the area of sustainability than the rest of the market. One challenge that remains is to **make these sustainable strategies and concepts measurable** and to continuously monitor and improve the effectiveness of the measures. In the international insurance market, sustainability is becoming an integral part of business strategies. and progress can be seen in all three areas: environmental, social and governance.

An international comparison shows that sustainability in Europe tends to pursue a holistic integration of sustainability aspects, coupled with the obligation to take sustainability into account through regulatory requirements.

North American companies tend to focus on targeted, specific programs, each of which focuses on one or more of the sustainability perspectives.

EXPERT VIEW

Thanh Ngoc Beck
Manager and insurance expert at Wavestone

Sustainability is transforming from a regulatory requirement to a strategic imperative in the insurance industry.

Topic 7

Claims: What sustainability measures can be taken in the claims area?

Sustainability has also become an important topic for insurers in the claims area. Measures that are both ecologically responsible and efficient and that increase customer satisfaction are increasingly being implemented worldwide. This part of the study highlights key sustainability measures in the claims area and examines their potential for increasing customer satisfaction.

Efficient claims processing through digitalization

One of the most important measures is more efficient claims processing through the use of digital tools and processes. For example, **digitally recording the damage** significantly reduces the number of physical visits by claims adjusters, which in turn leads to a **reduction in emissions caused by travel.** In conjunction, **paper consumption is reduced** as more and more processes are handled digitally. Some insurers have been able to **significantly reduce processing time by using digital claims platforms, called claims hubs.** For customers, this means **faster and smoother claims processing**, which is not only sustainable but also has an immediate **positive impact on customer satisfaction.**

Use of sustainable materials in repairs

Another important aspect is the **use of sustainable materials, particularly in the areas of repair and recycling.** Instead of buying new parts, insurers are increasingly relying on the reuse and recycling of materials and components. This not only helps to avoid waste, but also reduces the environmental impact associated with manufacturing new parts. For example, a global operating insurer has introduced a program that **focuses on repairing and rebuilding damaged buildings with recycled materials.** This environmentally friendly approach is appreciated by many customers, especially those who are environmentally conscious themselves.

Loss prevention through proactive advice

Loss prevention also plays an important role. Insurers are increasingly **providing proactive advice to their customers, particularly with regards to natural hazards that are often a consequence of climate change.** With the help of **data-driven approaches such as hail forecasting**, insurers can warn their customers at an early stage and recommend preventive measures (e.g. parking their cars in a garage). A good example of this is another globally operating insurer, which **provides its customers in hail-prone regions with special warning systems based on real-time weather data**. This forward-looking care strengthens customers' trust in their insurer and increases their satisfaction, as they feel well protected and cared for.

EXPERT VIEW

Thanh Ngoc Beck
Manager and insurance expert at Wavestone

Digitalization is driving sustainable claims management while improving customer experiences. Proactive care strengthens trust by demonstrating insurers' commitment to customer well-being.

Sustainable supply chains

Another step that insurers are taking is to **align supply chains with sustainability standards.** They **review the entire claims value chain for sustainability potential and work more closely with ESG-certified suppliers.** For example, one insurer has optimized its supply chain to only work with suppliers that demonstrably follow sustainable practices. This signals to customers that the company is **not only economically responsible, but also environmentally and socially responsible.** Environmentally conscious customers in particular perceive this positively, which in turn has a positive effect on their satisfaction.

Educating customers on sustainable practices

In addition, insurers are increasingly **offering training programs and information services** to raise their customers' awareness of sustainable practices. This educational work **helps customers to integrate sustainable behavior into their daily lives**, such as proper ventilation to avoid mold growth. For example, a globally operating Reinsurer has launched an initiative that educates its customers through training and digital information on how to minimize potential damage in their homes. When customers understand how their behavior can help to prevent damage and live more sustainably, they feel more involved and valued, which increases their satisfaction.

Providing electric vehicles as replacement cars

A final important aspect is the provision of electric vehicles as replacement cars during the repair period. This **accommodates customers who value sustainability, while also offering them the convenience of remaining mobile.** In the UK, for example, an insurer is increasingly offering its customers electric vehicles as replacement cars, which **not only reduces their environmental footprint but also increases the satisfaction of environmentally conscious customers.** The opportunity to use an environmentally friendly vehicle not only meets modern customer expectations, but also helps to strengthen the insurer's image as a progressive and responsible company.

Efficiency and environmentally friendly offers as drivers of customer satisfaction

Overall, the measures examined show that **sustainability and customer satisfaction are closely linked.** In addition to efficiency increases that satisfy customers in the event of a claim, the training concepts mentioned above also create **further touchpoints between customers and insurers**, thus placing them in the reality of the customer's life. This has a positive influence on customer engagement and, as a result, customer loyalty. Of the sustainable measures mentioned, **more efficient claims processing, promoting sustainable behavior through training and education, and offering environmentally friendly alternatives such as electric vehicles show the greatest potential for significantly increasing customer satisfaction.** Insurance companies that successfully implement these measures can not only improve their environmental balance, but also sustainably strengthen the loyalty of their customers.

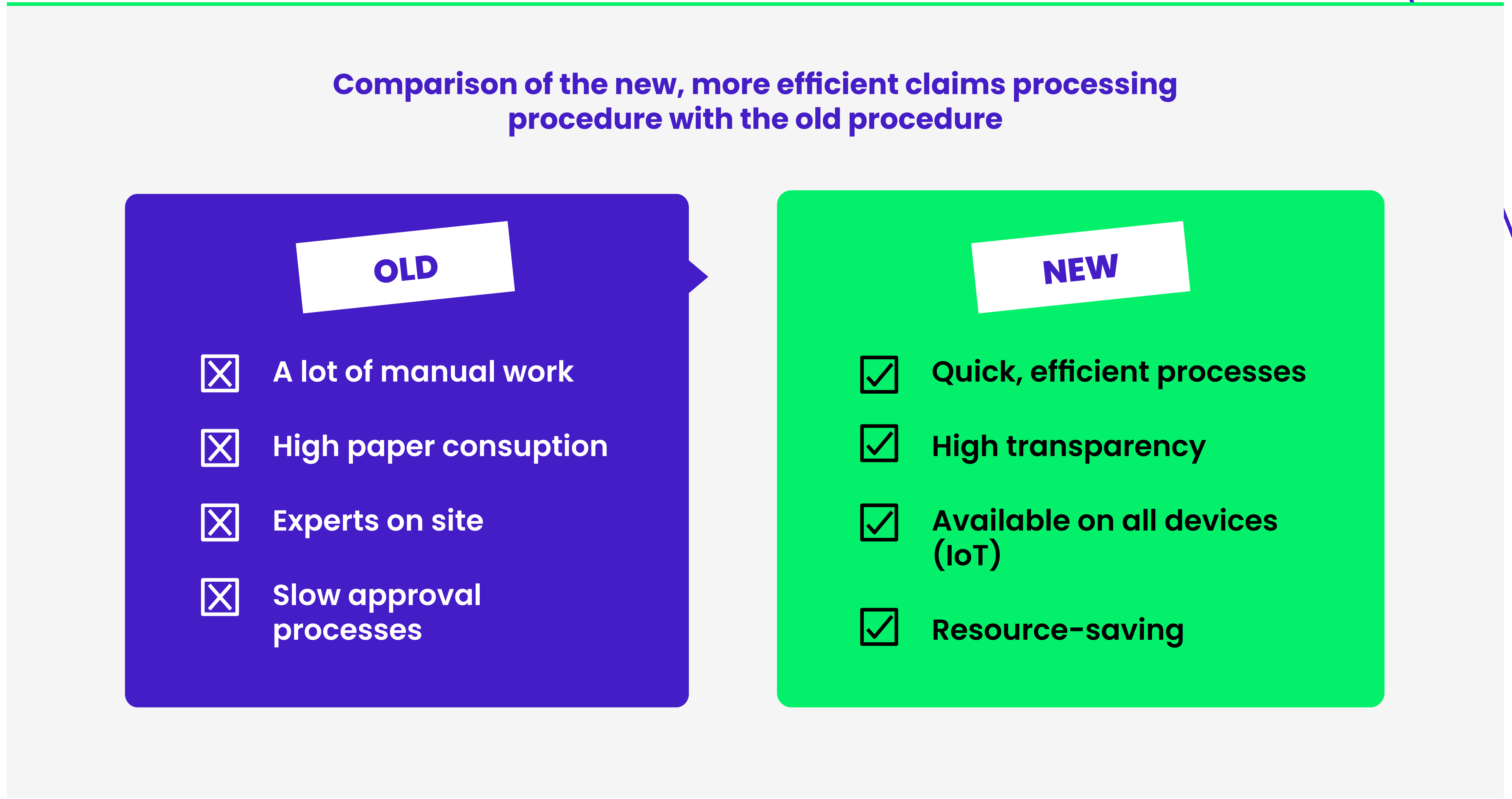


Figure 13: Comparison of the new, more efficient claims processing procedure with the old procedure

Topic 8

Customer loyalty: how does the perception of sustainability affect customer satisfaction in international comparison?

In a highly competitive market, in which companies compete intensely for new customers, the long-term loyalty of existing customers is becoming increasingly crucial for insurance companies. Customer satisfaction is a key performance indicator here: satisfied customers are less likely to terminate their contracts, more likely to take out further contracts and more likely to recommend the company to others. In this context, the question of whether and how a positive perception of a company's sustainability contributes to higher customer satisfaction is crucial. The answer to this question has a significant influence on the future direction and design of sustainability measures.

Sustainability and customer loyalty

The analysis of the end customer survey shows a **highly significant correlation between a company's perception of sustainability and its Net Promoter Score (NPS) across all markets** considered. The NPS is a key figure that measures the willingness of customers to recommend a company, thus reflecting customer satisfaction and loyalty. This correlation is particularly pronounced in Germany and Switzerland, while it is comparatively weaker in Canada, but still statistically significant.

An overview of the insurers' Net Promoter Score (NPS) and sustainability perception scores is provided in figures 14 and 15.

ESG dimensions and NPS

The analysis of the individual ESG dimensions shows that they have a similar influence on the NPS in all markets. This is valuable information for insurance companies. **Investing in sustainability measures in the long term pays off in terms of increasing customer satisfaction.** Long-term investments in sustainability not only help to meet regulatory requirements, but also add direct business value through higher customer satisfaction. **The focus of the measures can be placed on the dimensions of governance and social**, but this is not an inevitable conclusion that arises from the survey results.

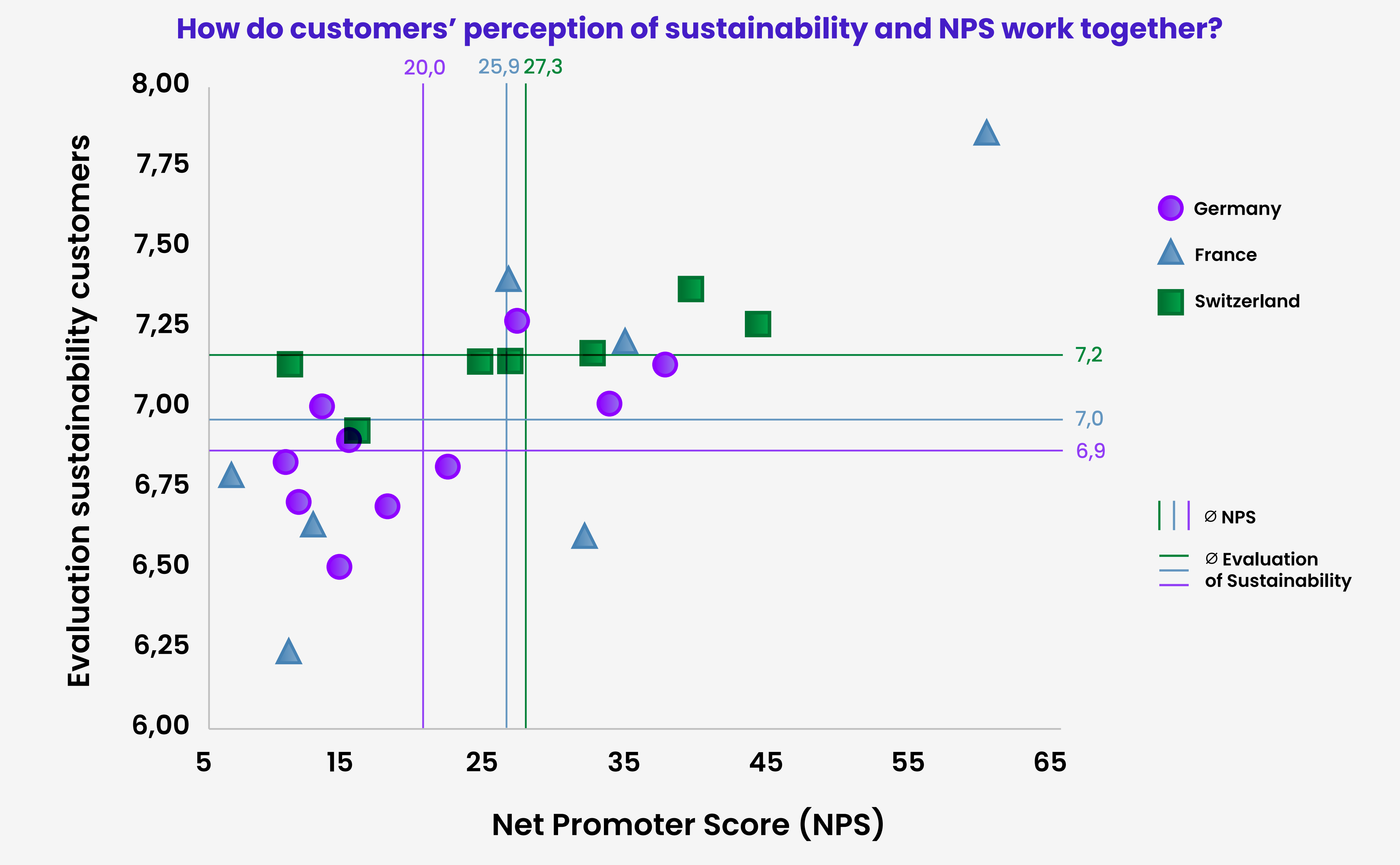


Figure 14: Sustainability perception of customers and NPS internationally (Germany, France, Switzerland)

Each entry represents one insurance company. The specific company names are anonymized.

- **Evaluation of sustainability customers**: «How would you rate this insurance company in the respective sustainability dimension based on your subjective perception?"; Average for Environment, Social, Governance transferred to scale very negative 0 - very positive 10; asked to customers of the respective company
- **NPS**: «How likely is it that you would recommend [company] to friends or acquaintances?"; Unlikely (0) – Very likely (10); Answers shown as Net Promoter Score from -100 to 100; asked to customers of the respective company

International comparison of sustainability perception

If we look at the correlation between the perception of sustainability and the NPS at insurance company level, which was indicated by the customers surveyed, we can also understand the minimal differences between the markets. The Canadian insurance companies fall behind the other markets in an international comparison, as they have a lower NPS. There is still a lot of potential for the companies in question to increase customer satisfaction. The companies from Germany and Switzerland, on the other hand, have a significantly higher NPS on average. A regression analysis for the Swiss market illustrates the positive influence of sustainability perception on the NPS: customers are more likely to recommend a company the more strongly they perceive its sustainability (see figure 16).

However, it should be noted that the direction of a causal relationship cannot be derived from the available cross-sectional data. While it definitely follows from this part of the data that NPS and sustainability perception are related, it is not clear whether sustainability perception leads to NPS or NPS to sustainability perception.

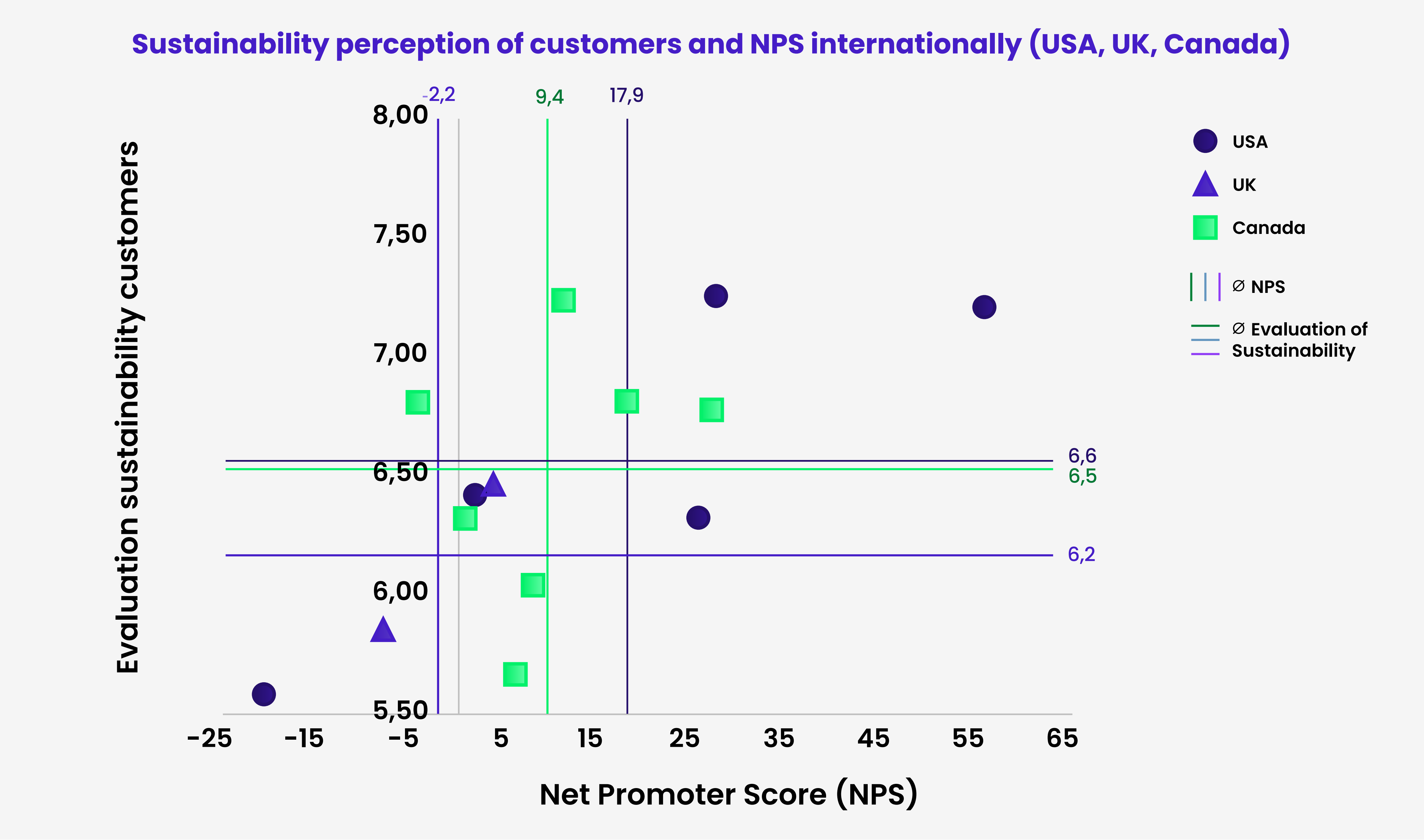


Figure 15: Sustainability perception of customers and NPS internationally (USA, UK, Canada)

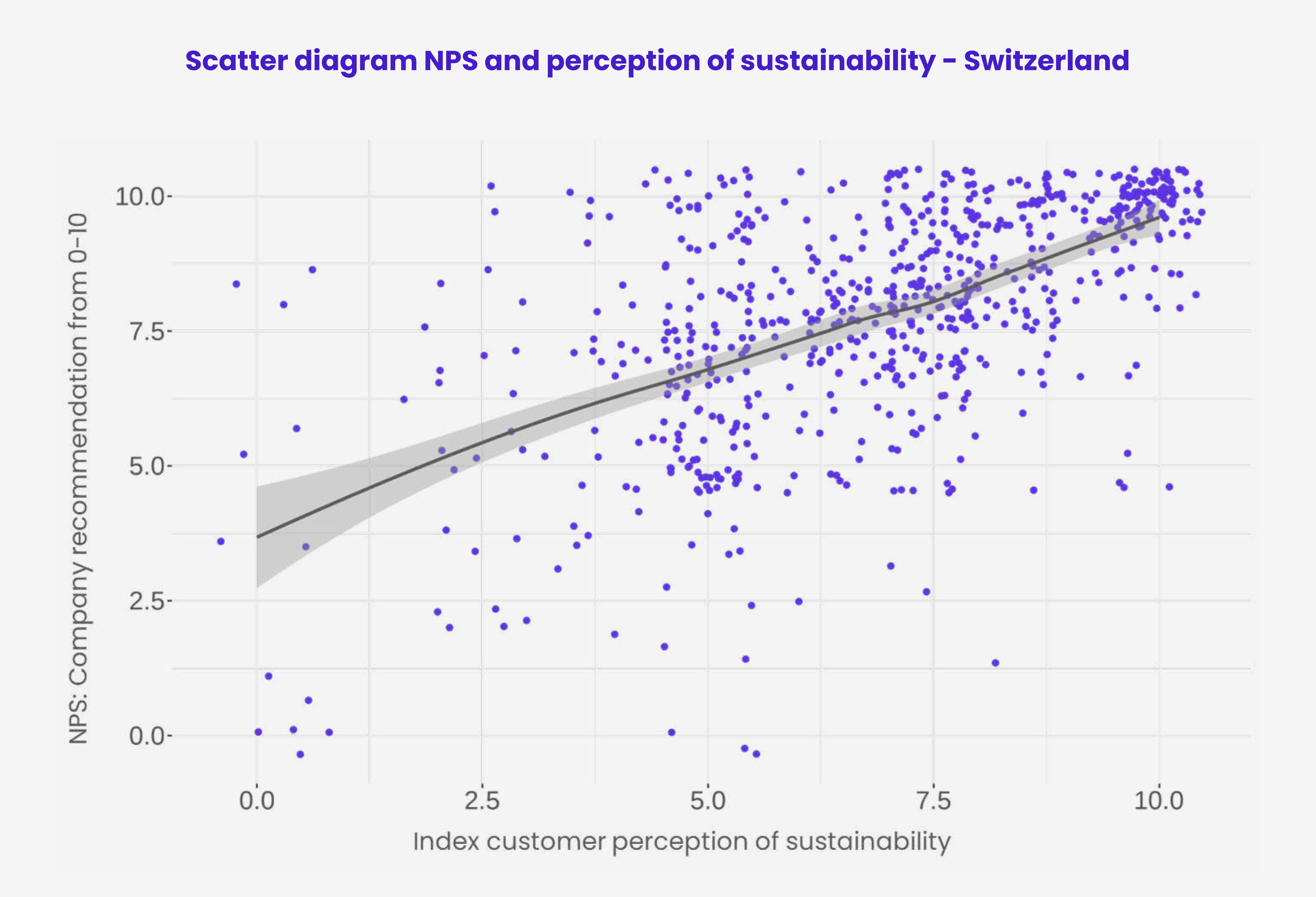


Figure 16: Scatter diagram of NPS and perception of sustainability with trend line

The analysis of the end customer survey shows a highly significant correlation between a company's perception of sustainability and its Net Promoter Score (NPS) across all markets considered. The NPS is a key figure that measures the willingness of customers to recommend a company, thus reflecting customer satisfaction and loyalty.

8

Evidence from the Sustainability NPS (S-NPS)

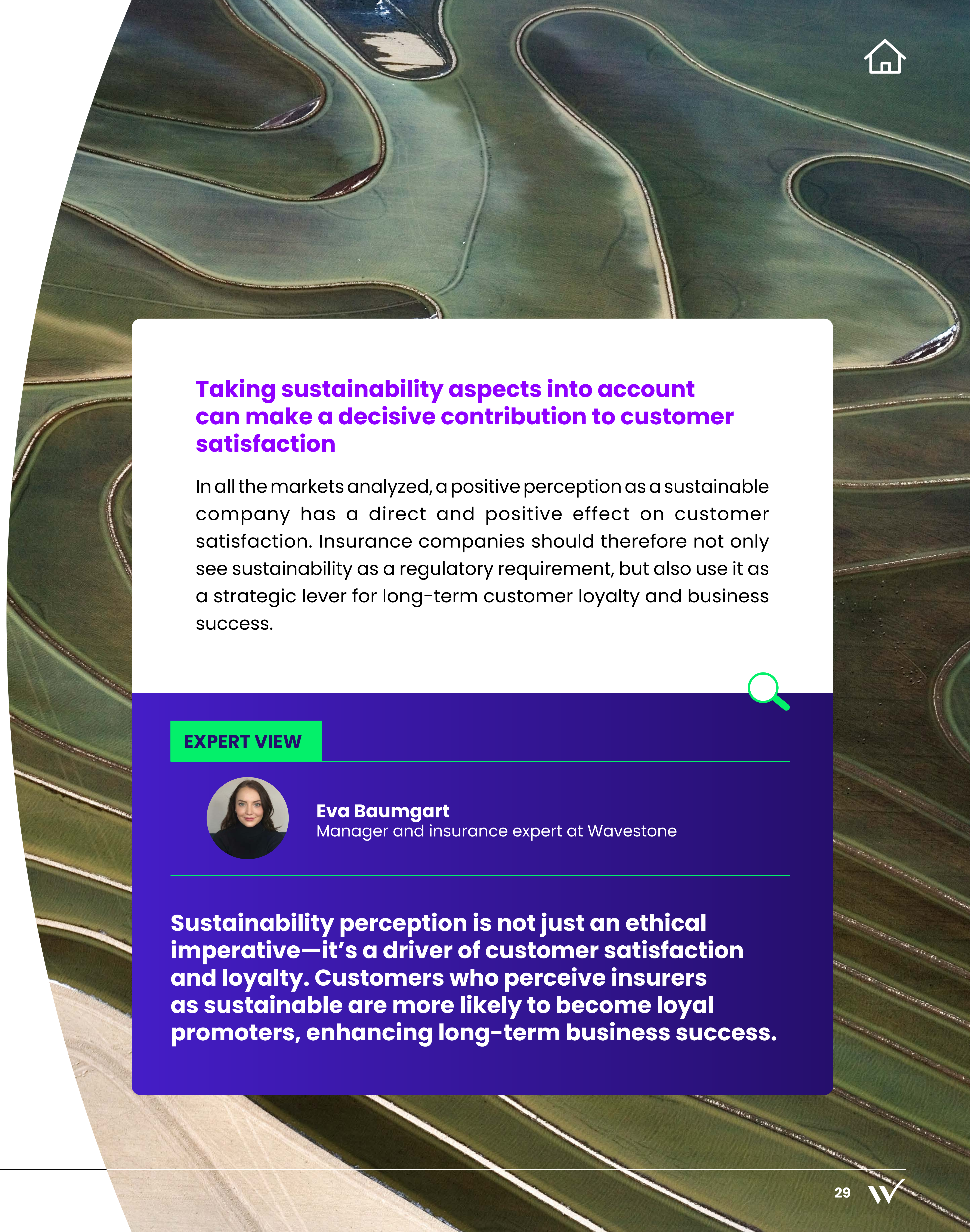
However, the direction of the correlation can be determined using another indicator that was collected as part of the end customer survey – the Sustainability Net Promoter Score (S-NPS). This examined the customers' willingness to recommend the company specifically with regard to sustainability aspects: "How likely is it that you would recommend [company name] to friends or acquaintances based on your experience with sustainability?" For this, only the survey results of customers who rated the company as sustainable with at least a value of 7 on the scale of 1 to 10 were included. The result in Table 3 shows that quite a few people give a very high value (9 or 10) when recommending based on sustainability. This is a strong argument for there being a causal link between sustainability perception and the NPS, at least for certain customer segments. Consistent with the other indicators, it can be seen here that sustainability plays a less important role in the UK than in the other markets.

When this S-NPS is compared with the general NPS, a highly significant correlation can also be seen in all the markets considered. This means that customers who are satisfied with a company due to their sustained perception and would recommend it are also generally more satisfied with the company. **Companies should therefore design their ESG measures in such a way that they turn customers into promoters.** Promoters are customers who give the company high marks (9 or 10) for sustainability in the survey and thus show a strong willingness to recommend the company, signaling their high satisfaction and loyalty. This is because in this area, it has the greatest possible influence on overall customer satisfaction.

Proportion of promoters (score of 9 or 10) in the S-NPS by country

Country	USA	CANADA	UK	SWITZERLAND	FRANCE	GERMANY
Percentage of promoters S-NPS	31%	25%	16%	31%	28%	28%

Table 2: Proportion of promoters (scores of 9 or 10) in the S-NPS by country



Taking sustainability aspects into account can make a decisive contribution to customer satisfaction

In all the markets analyzed, a positive perception as a sustainable company has a direct and positive effect on customer satisfaction. Insurance companies should therefore not only see sustainability as a regulatory requirement, but also use it as a strategic lever for long-term customer loyalty and business success.

EXPERT VIEW

Eva Baumgart
Manager and insurance expert at Wavestone

Sustainability perception is not just an ethical imperative—it's a driver of customer satisfaction and loyalty. Customers who perceive insurers as sustainable are more likely to become loyal promoters, enhancing long-term business success.

Conclusion

Sustainability as a strategic driver for customer satisfaction and business growth

The insurance industry is at a pivotal juncture where sustainability is no longer just a regulatory requirement but a key differentiator in customer satisfaction and market positioning. Our research reveals several critical insights that can shape the future of insurance strategies:

Customer-centric ESG initiatives

Customers are increasingly expecting insurers to not just focus on regulatory KPIs, but to engage in activities that directly benefit them, such as providing tools and information on ESG risks and opportunities. **Customers' ESG-related expectations are also changing the level of support they require from insurers.** This shift requires:

- Insurers must provide **tailored information and advice** to customers on ESG-related insurance products and solutions.
- Emerging adaptive innovation and on-demand insurance are also aimed at catering to changing customer needs in light of climate-related risks. Consumers may therefore play a key role in facilitating climate-related adaptation and mitigation and may be **incentivized to choose insurance products that promote resilience.**
- **Consumer information & incentives can significantly affect changing consumption behaviors** and thereby transform the industry.

However, it is important to recognize that there are **different customer segments with varying levels of interest in sustainability.**

Some customer groups are more inclined towards sustainability and are willing to pay a premium for sustainable products and services. In contrast, there are other customer groups for whom sustainability is not a priority; these customers expect insurers to focus solely on providing insurance coverage and adequate services around that coverage.

As a result, **insurers need to have a deep understanding of their customers and their diverse needs.** This knowledge is essential to harness the growth potential associated with sustainability while also remaining attractive to other target groups.

Social dimension as a key lever

Based on our findings, **the social dimension (S) emerges as the most impactful lever for capturing positive attention from customers.**

Among all the dimensions assessed, this aspect stood out as the one respondents deemed most important. Prioritizing initiatives within this dimension not only aligns with customer values but also has the potential to strengthen brand perception and foster greater engagement.

We expect that the **avoidance of a protection gap due to the uninsurability of various risks will also have an impact on the social dimension of sustainability in the insurance context in the future.**

Brand strategy: localized and segmented approach

The brand strategy must be tailored to the specific regional and cultural needs of each market, ensuring alignment with local expectations.

This **approach should be complemented by social initiatives**, such as childcare support or work-life balance measures, to effectively resonate with target audiences and promote the brand's values in a meaningful and impactful way.

Additionally, it is advisable to **implement customer segmentation to better understand and address the diverse needs of different groups.**

By recognizing the varying degrees of sustainability affinity among different customer segments, insurers can craft targeted strategies that meet specific expectations. The **choice of media channels should also be carefully considered** and strategically aligned with the preferences of the identified customer segments. By doing so, the brand can effectively reach its audience and create a positive and lasting impression.

Proactive ESG integration

So far, in countries where ESG requirements have not been integrated into the sales process, these aspects have also been largely overlooked. However, **there is an opportunity to position the brand as a pioneer by proactively incorporating ESG preferences into the sales approach**. Taking the lead in this area could differentiate the brand from competitors and highlight its commitment to sustainability, offering a unique value proposition to customers.

Sustainability as a dual strategy

In the operations of the insurance industry, several sustainability measures have already been implemented, such as the reduction of CO_2 emissions and compliance with the Supply Chain Act. However, these initiatives are primarily driven by EU regulations. At the same time, it appears that some insurers perceive these measures not merely as a legal obligation but actively leverage them as a positive marketing tool. In fact, some companies are positioning themselves as pioneers in this area, using sustainability as a means to strengthen their market presence and gain a competitive edge.

This trend highlights the need for insurers to balance their sustainability efforts with an understanding of diverse customer expectations, ensuring they cater to both sustainability-oriented customers and those who prioritize traditional coverage. This dual role of sustainability efforts in the industry—compliance with mandatory regulations on one side and strategic branding opportunities on the other—allows insurers to meet regulatory requirements while appealing to environmentally conscious consumers and stakeholders, thus enhancing their reputation and market positioning.

Claims management as an innovation hub

The **claims management sector stands out as a notable pioneer within the insurance industry**, particularly due to its implementation of innovative measures such as digitalized claims processing and preventive strategies.

These advancements not only enhance operational efficiency but also align with broader sustainability goals. Moreover, the impact of these initiatives is evident across markets, **reflecting a global shift towards more sustainable and efficient claims handling practices.**

What makes these measures particularly compelling for insurers is their dual benefit. On one hand, they contribute to higher productivity by streamlining processes and improving operational efficiency. On the other hand, they elevate customer satisfaction by offering faster, more transparent, and environmentally responsible claims resolutions.

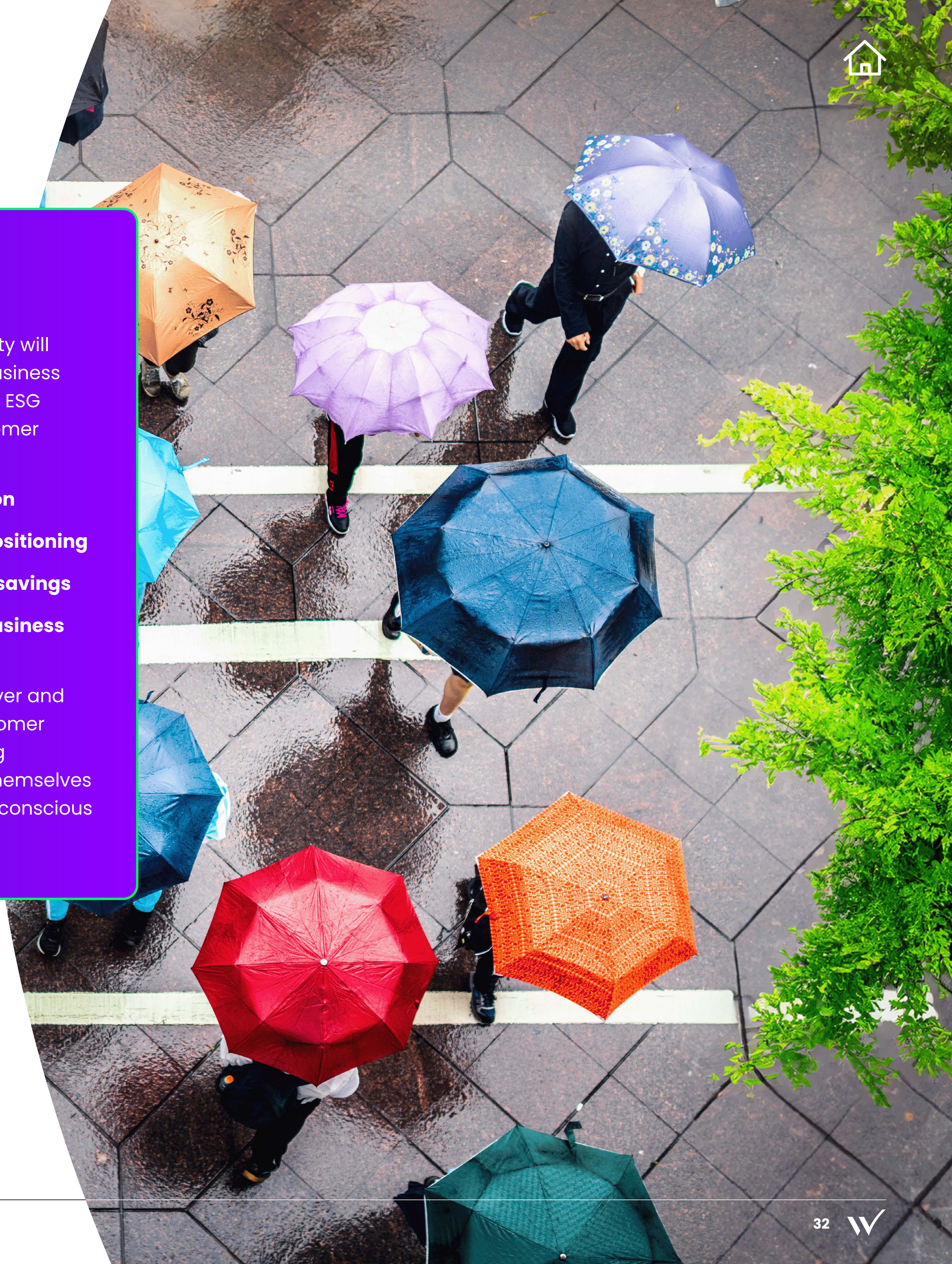
At the same time, **these initiatives fulfill critical sustainability objectives, making them an especially attractive and forward-looking strategy for insurers.** However, ensuring a positive customer experience with sustainable claims processes (e.g. sustainable materials instead of buying new parts) is essential, as a single negative interaction can have a lasting impact on customer loyalty and customer expectations. **Quality and usability must align with customer expectations to build trust and foster long-term relationships.**

Future Outlook

As the insurance industry evolves, sustainability will play an increasingly central role in shaping business strategies. Insurers who successfully integrate ESG principles into their core operations and customer interactions will likely see:

- **Improved customer loyalty and satisfaction**
- **Enhanced brand reputation and market positioning**
- **Increased operational efficiency and cost savings**
- **Better risk management and long-term business resilience**

By embracing sustainability as a strategic driver and understanding the diverse needs of their customer base, insurers can not only meet the changing expectations of customers but also position themselves for long-term success in an increasingly ESG-conscious market.



Contact

Authors

Eva Baumgart

Eva Baumgart is a Manager at Wavestone and has more than six years of experience in consulting for insurance companies. Her field of activity includes sales, marketing and product development, with a particular focus on strategic and conceptual projects. With her expertise, she supports insurers in the development and implementation of innovative approaches to better address customer needs and at the same time strengthen their competitiveness.

Thanh Ngoc Beck

Thanh Ngoc Beck is a Manager at Wavestone and has eight years of experience in consulting for insurance companies. Her focus is on global IT transformations and the implementation of core insurance systems. She also brings in-depth expertise in integrating ESG aspects into complex IT and business strategies. With her ability to act as an interface between IT and business, she supports companies in the successful implementation of sustainable and innovative solutions.

Jasmin Schreg

Jasmin Schreg is Managing Consultant at Wavestone and has four years of experience in consulting for insurance companies. Her focus is on the implementation and optimization of customer management and sales processes, supporting insurance companies in developing innovative and practical solutions. In her work, she combines business and IT requirements to create sustainable added value.

Florian Schmid

Florian Schmid is a Consultant at Wavestone and has been working in interdisciplinary data work since 2021. Over the past two years, he has specialized in roles in the business analysis of IT projects in the area of aftersales as well as in regulatory affairs for insurance companies. His focus is on an empirical approach aimed at sustainably optimizing the customer experience.

Contributors

Khushboo Mallik
Senior Consultant
Wavestone

Oliwia Prukop
Consultant
Wavestone

Malte Hoffmann
Managing Consultant
Wavestone

Pascal Altmann
Senior Consultant
Wavestone

Johannes Deringer
Consultant
Wavestone

Manuel Bürmann
Consultant
Wavestone

WAVESTONE

www.wavestone.com