At AXA we believe insurance is a force for progress. In 2020, “Acting for human progress by protecting what matters” was established as our new purpose, further committing AXA to pursuing the best initiatives to safeguard essential resources such as health and nature to continue a sustainable future.

Scientific achievements, economic development, medical advances and technological empowerment are contributing to build a world towards prosperity and wellbeing. However, the world continues to face evolving challenges, often increasingly interconnected. This requires more attention to understand the trends that are shaping the future and a better assessment of the paths that lay ahead so as to be better prepared to respond and to adapt.

Strategic Foresight is a tool that allows exactly that — to study current signals and trends and project and analyze the possible outcomes in the not so immediate future. Foresight analysis is based on knowledge from complementary disciplines, including science, humanities and arts, and is a tool that can help us better understand the "possible futures" to best navigate times of crises and uncertainty and provide a variety of pathways towards progress given the obstacles or opportunities that may be part of the landscape ahead.

This report uses Strategic Foresight methodologies to explore the specific futures that are at the heart of our business in the areas of the environment, socioeconomics and health. The goal is to inform our thinking about the avenues to progress and ultimately, stimulate action to build a sustainable future.

Olivier Desbiey
GROUP HEAD OF FORESIGHT
Insurance is built on future potential events. Its success is based on understanding and anticipating them through the best possible vision of tomorrow. This is the aim of strategic foresight, which helps provide a lens into possible futures by identifying main trends likely to emerge in the years ahead and allowing to better navigate uncertain times. Examining long-term transformations and their related challenges allows to explore the ways in which our societies may be affected in the future and what role insurers might play in a fast-changing world.

Cooperation and trust emerge as the key factors in tomorrow’s successful response to the rising challenges of climate change, socio-economic disruption, and stress on health care systems. Over the next few years, the response to the rapid pace of global warming and biodiversity loss relies on effective international cooperation on climate issues and on a more holistic approach towards the sustainability of the environment and economic growth in the future. Furthermore, the development and adoption of more stringent environmental regulation is expected to drastically transform the economy through a shift away from carbon-intensive related products and services.

On the economic front, redistribution is likely to remain at the top of the political agenda. With deeper domestic disparities and concerns over financial exclusion, creating a strong, safe and more equal society will depend on the degree of effective cooperation between the state and the private sector. The result of wealth inequality could well be a continued backlash against globalization and a drive towards increased regional cooperation and trust among nation-states, the private sector, and individuals. This fragmentation exacerbates the need for a relevant coordinator.

In a 2040 world where globalization would be replaced by increased localization, increased fragmentation due to stronger inequalities would put more focus on insurance’s role as an “invisible force” for economic stability. If it will be crucial to provide access to insurance products to “emerging” customers, not only in emerging markets but in higher income economies as well, insurers can ensure optimal orchestration of the health chain to ensure customers have easy access to the treatment and care they need.

Major changes in the health sector will be accelerated by the Covid crisis. The health industry will rapidly find itself at the crossroads between high-tech medicine and traditional hands-on care. This technological change will raise important questions about data privacy and ethics, raising the issue of trust and cooperation between the players in the field, governments and the public — this will be essential for an optimization of the human/tech blend. The adoption of measures to foster trust and the construction of a holistic approach of preventative practices and treatment will be key in facing the issues of aging populations, access to affordable care and the management of future pandemics. A tech- and data-driven health contributes to open the market to new players and goes with an increasing redistibution of responsibilities between public and private, and individuals. This fragmentation exacerbates the need for a relevant coordinator.

In a world where human-induced climate change will impact everyday life, where localisation will counter the globalization of yesteryear and be defined by stronger inequalities and where-tech-driven healthcare will provide the opportunity for healthier and longer lives, the insurance industry will need to adapt but will also be provided the opportunity to be a leader of change and resilience.

In a suggested scenario of a +1.4°C hike in global temperatures, rise in sea levels, more intense weather events and a loss in biodiversity, insurance has the potential to play a catalytic role for a greener and more sustainable world. Based on its unique risk expertise, the insurance sector will continue having a unique, relevant coordinator.

In the health realm, a scenario where prevention through data management has taken center stage by 2040 highlights a unique role for insurers in strengthening integration and partnership across the health sector. By building on their unique position between the medical system and patients, insurers can ensure optimal orchestration of the health chain to ensure customers have easy access to the treatment and care they need.

The world faces growing future challenges in the increasingly interconnected areas of climate, the economy, and health. Just like the Covid-19 crisis, future ones are increasingly likely to be multi-dimensional. In this 2040 version of the world, there will be ample need for adaptation of the insurance industry but also plenty of space for opportunity. Insurance is about resilience, rebuilding and enabling – all three will be increasingly important to face the challenges ahead and help seize the related opportunities for society.
By January 2021, Covid-19 had claimed more than 2 million lives worldwide. It is a reminder that, when change happens, it can happen fast. The world was already facing climate change, a technological shift and renewed political tensions — particularly between China and the US. The pandemic is also a reminder that, in today’s complex world, all risks are connected. In the short term, Covid-19 also means economic recession, increased poverty, a rise in mental ill health, social discontent — and, very probably, a deepening gender divide.

It is important, therefore, that we look forward — that we learn the lessons of this crisis, and see clearly the risks and opportunities ahead of us. This foresight publication seeks to do just that. In Chapter 1, we set out the main trends in three interconnected key areas: the environment, socio-economics and health. These trends help us “frame the future.” Based on them, we have developed three possible pathways for each area, covering what may happen over the next twenty years — from the merely plausible to the probable.

Then — in the second part of this Report — we have imagined a world where human-induced climate change has become a reality, where globalization goes into reverse, and where tech-driven healthcare helps us all live longer, healthier lives. In Chapter 2, we also look in detail at how the insurance industry can adapt to these changes — and the role insurers might play in the society of the future. These are scenarios, not predictions — our aim is not to forecast the future, but to identify priorities for action today, so that — over the next twenty years — we can build a fairer, safer, more resilient world.

Introduction

It is difficult to make predictions, especially about the future.

Niels Bohr, winner of the Nobel Prize in Physics, 1922

Framing the future space

Probable: What we assume will happen.
Plausible: What could happen.
Possible: What is unlikely to happen.
Preferable: The future we aim towards.

Futures cone adapted from Dr. Joseph Voros, Swinburne University (Source: Changeist)
1.1 Key trends shaping our world

Finding the right pace for a greener future
Redistribution at the top of the political agenda
Healthcare at the crossroads:
High-tech and human care

1.2 The rise of interconnected risks

Emerging risks
Geopolitical risks
Environment

Climate change is accelerating — and it is widely regarded as the defining challenge of our time. As we approach 1.5°C warming, we are increasingly contributing to it. All indicators tell the same story — human activities are rising, so are sea levels. Our ecosystems are badly degraded. The consequences are becoming clearer for scientists: because of climate change, extreme weather events are becoming more intense and frequent. In the 1980s, there were three times as many floods worldwide as thirty years before. Nineteen of the twentieth warmest years ever occurred since 2001. Even if we take drastic measures, we would not see an improvement by 2040; the carbon absorption cycle is simply too long.

The good news is we are more aware of the problem than ever before. Of course, it is impossible to predict the future — it depends on multiple economic, geopolitical and technological factors — but we do know that two questions will be key.

First, effective international cooperation. After Covid-19, will the world move towards more “every country for itself” approach? Or will we see the re-emergence of the kind of multilateralism that was needed to tackle climate change?

Second, economic growth. Will most of the world continue to pursue growth at any cost? Or will it re-think its economic and development models? Will it take in account the need to protect the environment?

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Pathway 1
Green growth

The world remains a race for economic growth, but massive investments are made in new, green technologies.

As a result, there is a shift in the global energy mix. From the mid-21st century, almost half the world’s energy is sourced from renewable energy. Leading companies such as Microsoft, HSBC, Shell and Qatar Airways have already net zero emissions until 2050. China and the US, though positioning themselves as leaders in the green revolution, are still expected to reach carbon neutrality by 2050. Other sectors embrace innovation: aircraft manufacturers continue to work on hydrogen planes; US oil majors turn more of their resources to carbon sequestration, and China leads an international geo-engineering coalition to find a way to cool the planet.

The increase in green technologies does develop a downside, however, as solar panels, wind turbines and battery technology.

China leads an international geo-engineering coalition to find a way to cool the planet through carbon dioxide.
International cooperation on climate issues falls — countries turn inwards and focus on maximizing economic growth.

After 2020, international initiatives begin to founder. Policymakers give up on cooperation. Throughout the decade, a string of COPs end in acrimony and disagreement — much like the collapse of the Copenhagen UN Climate Change Conference in 2009. The UN Sustainable Development Goals also fail. It is clear by 2030 that international cooperation is not working. Despite good intentions, countries fall short of their commitments. Targets are set, but too few details provided on how these can possibly be achieved. Sanctions do nothing to bring countries into line. Green recovery plans are met with opposition — the result is a return to “business as usual.”

There is a widespread belief in “technological solutionism” — the idea that advances in technology will save the world from climate disaster. Considerable faith is placed in carbon capture and sequestration — even though, by the early 2040s, no significant progress has been made. Nuclear fusion is also hailed as a possible breakthrough — but it becomes clear that this will not be available for commercial use before 2080. Other ambitious plans are put forward: fertilising the ocean, for example, to absorb more carbon — or injecting gases into the atmosphere to reflect sunlight. In reality, these plans have little chance of succeeding. Countries continue to postpone meaningful action, leaving an entire generation to face the consequences of future climate change.

Decision-makers persist with this “business as usual” approach. Individuals continue to put short-term economic considerations ahead of the environment. Covid-19 brings this short-termism to the fore: Central & Eastern European countries contest the EU’s ambitious plans for a green recovery. Gradually, world leaders roll back efforts to stop climate change — they cling to the “old world model” in a bid to save jobs, many in polluting industries that are unprofitable and over-reliant on government subsidies. In the wake of Covid-19, governments favor “catch-up” strategies that prioritize the economy over the environment or even public health. In the end, changes in behavior come too late — and are too marginal to head off possible climate catastrophe.

Pathway 2
Business as usual
International cooperation on climate issues fails — countries turn inwards and focus on maximizing economic growth.

Pathway 3
Doughnut economics
The world adopts a new economic model. The race for growth is dismissed as “detrimental” to human development.

After 2020, the old linear model — based on production and consumption — is gradually abandoned. A new, “circular” model emerges — one which considers the limits of natural resources. As we enter the 2030s, economists take up Kate Raworth’s theory of “doughnut economics” — which supposes a reduction in consumption and a shift away from growth as the central measure of economic success. The EU declares that economic growth “cannot be an end in itself.” Other countries have followed New Zealand’s “living standards framework,” a comprehensive well-being indicator which replaces GDP.

Progressively, the new circular model is taken up in more countries, beginning in Scandinavia in the 2020s. Using this model, Denmark achieves carbon neutrality by 2050, Norway just five years later. EU countries outside Scandinavia follow suit, as do some states in the US. Eventually, the model’s influence reaches Asia, South America and Africa, supported by the World Bank and International Monetary Fund (IMF). In 2020, the Covid-19 crisis had already shown the effectiveness of coordinated, international action — paving the way for a shift toward a more collective economic model.

As part of this shift, radical action is taken to protect the environment. From the mid-2020s, individual behavior begins to change. People travel and consume less; they adopt healthier diets. Industry is increasingly decarbonized. Agriculture becomes more sustainable — more food is produced locally. Production and consumption are more tightly controlled — new accounting methods are agreed for carbon emissions and biodiversity loss.
Redistribution at the top of the political agenda

Throughout the past thirty years, more than a billion people have been released from poverty. The Global Age of Capitalism3 brought economic growth — but it also brought an increase in inequality. Around the world, the gap between rich and poor is widening — but 2019 to 2020, inequality worsened in countries home to more than 75% of the world’s population — including the two most populous, China and India24. In 2019, the growing inequality was the cause of protests in the Middle East, Asia, Latin America and Europe, and is widening — between 1990 and 2016, income inequality worsened in countries home to more than 75% of the world’s population — including the two most populous, China and India24. In 2019, the growing inequality was the cause of protests in the Middle East, Asia, Latin America and Europe, and in many cases, middle classes are under pressure. In OECD countries, 70% of baby boomers were middle class26. For Generation Y — the next generation — that figure has shrunk to just 60%, the result of job losses, rising costs and taxes, and the economic recession in the wake of the financial crisis has reversed decades of social progress. The world has become more unstable. Political tensions increase the international liberal order — big corporations enjoy considerable political influence and this creates growing distrust of both governments and the corporate sector in many areas. Job market disputes turn technology to communications, but it’s also given birth to new concerns. What should be done about the digital divide, for example, between those with access to technology and those without? How do we ensure authoritarian governments don’t use technology to suppress opposition? Or that artificial intelligence continues to work with us rather than against us? What will be critical, in determining the future, is the effectiveness of the state — or working with the private sector, and in providing a strong and safe society.

Meanwhile, wealth redistribution is harder than ever. Global issues — such as climate change and public health — are neglected. Against this backdrop, states face mounting debts — and have less fiscal leeway to spend on public services or address social inequalities. People are distrustful of government and the private sector — protests and deep social divisions are the consequences. Over the past twenty years, economic and social policies have failed to reshape society, and within-country inequalities have continued to rise steadily as they have since 1980, now reaching alarming levels. Both lower and middle classes have become poorer, hit by a severe housing crisis and clean drinking water. Many are refugees or informal workers. It is critical, in determining the future, is the effectiveness of the state — or working with the private sector, and in providing a strong and safe society.

Meanwhile, Galli’s Confidence in Institutions index reached an all-time high. The world’s richest 10% own more than 70% of total world wealth in China, Europe and the US combined; the bottom 50%, by contrast, own less than 2%. Since the 1980s, governments have shoved away redistribution — particularly through increased taxation. Instead, they’re reduced public spending — and taken on more debt. The result has been to undermine the international liberal order — jeopardising the relevance of international organisations and cooperation — and encouraging a return in many countries to nationalism or right-wing populism.

Pathway 1: Political failure

By 2040, the pandemic-induced socio-economic crisis has reversed decades of social progress. The world has become more unstable. Political tensions increase the international liberal order has given place to a geopolitical system of tension, characterized by mistrust between countries — and little to no cooperation.

Trust between business and governments has also given way. Global issues — such as climate change and public health — are neglected. Against this backdrop, states face mounting debts — and have less fiscal leeway to spend on public services or address social inequalities. People are distrustful of government and the private sector — protests and deep social divisions are the consequences. The truth is, governments have failed to invest in new skills and training — more jobs are automated, fueling a rise in unemployment. Governments have failed to invest in new skills and training — more jobs are automated, fueling a rise in unemployment. The gig economy continues to expand, threatening the formal sector in many areas. Job market disputes turn technology to communications, but it’s also given birth to new concerns. What should be done about the digital divide, for example, between those with access to technology and those without? How do we ensure authoritarian governments don’t use technology to suppress opposition? Or that artificial intelligence continues to work with us rather than against us? What will be critical, in determining the future, is the effectiveness of the state — and working with the private sector, and in providing a strong and safe society.

Meanwhile, the political agenda has become almost irrelevant in determining the future, is the effectiveness of the state — or working with the private sector, and in providing a strong and safe society. Wealth redistribution

Health restoration

Education reform
1.1 Key trends shaping our world

Wealth redistribution

During the 2020s, politicians have been sympathetic to calls for meaningful change — however, they have not been able to reach agreement on new policies. Inequality continues to worsen, though at a much slower rate. Public and private sectors are at loggerheads, with frequent disagreements over policymaking, regulation or consensus on how to define social well-being. Poorly performing institutions stifle investment, undermine commitment to reform and lead to growing public mistrust. Public-private partnership also underperform — public frustration leads to more litigation in the courts. The international system, consequently, has become disordered. Western countries struggle to reach consensus on institutional change. Differences emerge between Europe and the US, and decisions are often blocked by countries taking a more protectionist view. East Asian states, by contrast, take an internationalist approach, optimizing trade in the region — and taking on more of a leadership role. For the first time, a former Chinese Finance Minister is appointed head of the International Monetary Fund. Local political leaders, meanwhile, step into the vacuum. An empowered international network of cities is in the forefront of multilateral cooperation. Urban resilience improves as a result: technology solutions reduce air pollution in cities like New Delhi and in the Paris metro; or they end traffic congestion in Mexico City. Despite a few local successes, there is a lack of international cooperation. Cities find they cannot act in isolation — without national government support, public-private partnerships start to founder. Politicians show concern over growing social inequalities — but can’t reach a consensus for effective reform. Distrust in politics continues to gain ground.

Pathway 2

Growing tensions

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Pathway 3

Radical change

Repetitive social and economic crises in the 2020s generated instability. A global perception that risks have become systemic pushed for stronger commitment from public and private sectors. The result is far-reaching political and institutional change.
Healthcare at the crossroads: High-tech and human care

Since the 1970s, medicine has made immense progress — in both treatment and research. The result has been a steady increase in life expectancy. Currently, there are one billion people worldwide over the age of 60; by 2050, that number is expected to double. As populations get older, we have — for the first time in history — a shortage of carers — if nothing is done — NCDs will have cost much higher out-of-pocket health expenses.

Fertility rates have already started to fall. In many countries, we may see ratios below 2.0. In emerging economies, North America and East Asia will have support from their working-age populations. In wealthy countries, the number of working-age people — those paying the taxes — will continue to fall. At the beginning of the 1990s, in wealthy countries, the percentage of working-age people — those paying the taxes — was 64.8%. By 2050, 48 countries in Europe, the highest population of over-65s, the ratio is now 1.8. By 2050, 48 countries in Europe, North America and East Asia will have support ratios below 2.0.

Unhealthy lifestyles are adding to pressure on our public healthcare systems. Without this trust, healthcare technology can have serious, long-term repercussions. The pandemic also showed that these services could have serious, long-term repercussions. The pandemic also showed that the availability of medical equipment and trained nurses and doctors, in future, will need to balance technology with an approach that values personal care.

An aging population also implies an increase in chronic illnesses, like cancer, heart disease and diabetes. Finding effective treatments for these Non-Communicable Diseases (NCDs) will be one of the biggest challenges in healthcare in the years ahead, especially as the rate of co-morbidities increases with life expectancy. Currently, NCDs cause two-thirds of premature deaths worldwide. By 2050, if nothing is done — NCDs will have cost much higher out-of-pocket health expenses.

In recent years, healthcare has made huge advances — the expansion of genomics, for example, and the increased use of AI, 3D printing and virtual reality. Entire branches of medicine have moved from theory to practice. The use of technology has opened up new visions of “augmented humans.” As a result of these changes, medicine has become more personalized — more focused on prevention rather than cure. A holistic approach to health is emerging — one that takes into account all factors that may affect an individual’s physical or mental well-being, including diet, environment, stress and lifestyle.

With Covid-19 — and the subsequent lockdowns — there is more awareness of the importance of mental health. During the pandemic, mental health services in the countries that are most costly — 80% — were disrupted or shut down altogether. Lack of access to these services could have serious, long-term repercussions. The pandemic also showed that the availability of medical equipment and trained nurses and doctors, in future, will need to balance technology with an approach that values personal care.

With these changes, patients are empowered; they have greater control over their own health — for good or ill. Technology is the explanation for this — in coming years, wearables and connected devices are widely used by health professionals to develop new medicines. Technology has taken over health and people increasingly believe in this all-powerful solution.

As a result of these changes, human-to-human care is increasingly sidelined. Emphasis is put on prevention and efficiency. Even patients prioritize access and affordability over data privacy. It is widely accepted that hospitals, governments and private companies will share data — trust remains as the healthcare system continues to deliver cutting-edge treatment and services.

By 2040, health technology has become part of everyday life. Treatment is more remote; data is widely used by health professionals to develop new medicines. Technology has taken over health and people increasingly believe in this all-powerful solution.

Pathway 1: Tech solutionism

High-tech medicine

Wearables provide a steady stream of real-time data, giving doctors and researchers access to genuine databases, which can be used to develop new treatments. Genomics, and gene testing continue to advance, allowing doctors to identify genetic risk factors and prevent hereditary diseases before they develop. Chronic illnesses are no longer treated by doctors — instead, patients are monitored remotely, using pre-set algorithms. As a result, the doctor-patient relationship becomes far less personal. Preventative medicine becomes normal practice — high-performing robots is drastically reduces errors in surgery and treatment. Meanwhile, 3D bioprinting can now produce perfect replica organs, eliminating any risk of organ shortages. Artificial limbs and other prosthetics continue to improve — in some cases, they become more efficient, accurate and powerful than the human equivalent. In elderly care, companion robots are widely used, helping with household chores and sounding the alarm in case of emergency.

Leading tech companies have invested heavily in healthcare. Facebook, Amazon, Microsoft, Google and Apple — collectively as FAMGA — all develop new healthcare products and services. Logistics systems are fine-tuned to offer last-mile delivery. Tech companies pour money into R&D, in-house clinics, as well as low-pitch health insurance and access to telemedicine. CEOs encourage new developments — Elon Musk, for example, fast-tracks his “Neuralink brain chip.” Gradually, the idea that the human condition can be enhanced through technology — transhumanism — begins to gain ground.

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Pathway 2
Tech backlash

In the two decades since 2020, technology has continued to advance, but it has led to growing public mistrust. Increasingly, technology is blamed for keeping people apart. Because of technology, people feel a sense of alienation — there is a reluctance to accept “full-tech” medicine. Healthcare has become less personal — and more reliant on remote technology. Eventually, the loss in human contact leads to an increase in mental health issues — even, in some cases, physical illness. At the same time, governments increase surveillance, using genetic testing, for example, to compile personal profiles. Implants, meanwhile, transmit constant, real-time health data to the authorities. Increasingly, service companies tap into the same information to assess risk and price products.

The public begins to see technology as a threat. There is widespread mistrust of science and politicians — this mistrust was compounded by the perception of governments’ mishandling of Covid-19, encouraging people toward a more reluctant and isolationist approach. Support for international research efforts declines — despite the global nature of possible pandemics. Around the world, anti-tracking movements — inherited from the anti-vaxxer movements — continue to gain ground, comprising people who refuse to share their data with health practitioners. National healthcare systems are put at risk — as more individuals take responsibility for their own care.

People start to worry about using smart equipment such as wearables or implants for fear of device hacking — either to control or steal data. Genetic testing companies are unable to guarantee their systems are fully “cyber-proof.” Public opinion increasingly voices ethical concerns over advances in health. There are fierce disputes over the use of gene modification, particularly with the prospect of genetically-modified children. Do genetically-modified people own their bodies in the same way as others? Or do they belong to the society which created them?

Pathway 3
Patients first

By 2040, healthcare has become more collaborative. Technology has improved access to care, but the relationship between doctor and patient remains strong. Patients have taken on a more active role in managing their own health.

Medical professionals acquire a range of digital skills — they learn to operate new technologies, and carry out remote diagnosis and treatment. They also learn to interpret data from patients’ wearables, digital records, and gene testing.

At the same time, patients become more responsible for their own health — for monitoring what they eat and drink, and for making sure they stay well and take regular exercise. Gradually, patients learn more about what determines their health — and their risk of long-term illness. New technologies, meanwhile, improve patient follow-up. The purpose of healthcare begins to shift: it becomes about keeping patients well, rather than just treating the sick.

Symbolizing this collaborative approach are the new care hubs. These hubs acts like flight control centers, collecting real-time data from patients and their health records — and identifying possible issues before it is too late for effective treatment. Not surprisingly, data privacy becomes more important. Questions are asked — not least who, ultimately, owns health data, who can it be shared with — and to what extent should governments have access?

Technology brings other advantages. Remote areas now have better access to healthcare. Patients are able to consult doctors many miles away, even in other continents — a practice made possible by technology. Public-private partnerships begin to blossom — new, structural projects are launched to coordinate healthcare efforts, reducing pressure on government health spending. Trust in healthcare increases; people recognize the benefits of technology — and of a more collective approach.

Use of technology continues to expand. Even so, medical professionals remain at the heart of healthcare; they play a major role in treating patients who cannot access technology, or choose not to. AI automation and 3D bioprinting enhance healthcare and improve efficiency — but they are no longer regarded as “silver bullets.”
In this section, we will look at emerging risks through social, economic and political change. Businesses and policymakers will have to chart a way forward. Increased tensions will also make it harder for societies to tackle climate change. At the same time, a lack of international cooperation may usher in a new era of competition. At the megatrend level, we see multiple interconnected risks — as well as a general acceptance that climate change is the most pressing challenge we face. We now turn to the key findings from the 2020 Future Risks Report. To tackle these risks, we need a global perspective and cooperation across sectors, countries and disciplines. In addition to the most important risks, the AXA Future Risks Report identifies risks that may have slipped under the radar — in 2020, we flagged pandemics and infectious diseases as an “overlooked” risk. This year, we have marked out misinformation and mental health as possible future threats.

In many cases, Covid-19 has acted as an accelerating risk. In the previous year’s survey, the general public was more concerned about long-term threats such as climate change and cyber security than the immediate threat of pandemics and infectious diseases. As reported by the World Health Organization, if we wish to avoid a future pandemic, we need to strengthen our health systems, increase access to medical supplies, and ensure people everywhere are equipped to deal with a future threat. This year, the level of concern around infectious disease, climate change and cyber security remained at the same levels as last year. This is likely to feel the effects. Clearly, there is a danger that, by focusing on Covid-19, decision-makers and the general public are likely to feel its effects. The question is: why do experts consider tech-related risk to be less important? It is possible that individuals and businesses are more familiar with technology, and also better understand its benefits. As a result, they are more accepting of the risks. Even so, we should not lose sight of the potential for greater exposure to harmful substances. Attitudes toward new technologies provide a good illustration of how perception of risk varies. For example, risks associated with outer space, or long-term changes to the natural environment, are considered less pressing.

The rise of inter-connected risks

The mega trends we have identified come against a backdrop of rapid change in our societies. In the years ahead, other challenges may arise from a geopolitical, technological, and economic point of view. These challenges will further undermine multilateralism and usher in a new era of competition. At the same time, a lack of international cooperation will hamper efforts to tackle climate change. Increased tensions will also make it harder for businesses and policymakers to chart a way forward. Social, economic, and political change.

Every year, AXA carries out a survey to identify emerging risks. This survey focuses on risk perceptions — in other words, what risks respondents believe will most shape society over the next 5-10 years. AXA’s 2020 Future Risks Report pinpointed pandemics and infectious diseases as the most pressing challenges. According to the report, the global economy is more than one trillion a year. This year, we have marked misinformation and mental health as possible future threats.

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The nature of emerging risks

Emerging risks are, by their very nature, hard to assess. It is difficult to be specific about the timing of such risks — to say, for example, how quickly a particular risk might develop. Risks on which there is consensus tend to be those that are most immediate — whose impact, in other words, is likely to be felt in the next five years. Generally, these are the risks that score the highest in our survey. There are other risks, of course, that may be less immediate, but which, over time, could prove just as important. For example, risks associated with outer space, or long-term changes to the natural environment, are considered less pressing.

1.2 The rise of interconnected risks

Highlights from AXA’s 2020 Future Risks Report

In this survey, climate change was rated second — the first time since 2015 that it has not come in first. More importantly, the survey showed significant disparities between countries. In Europe, experts still rank climate change as the most urgent threat to society, only 46% of experts in North America agree, however (down from 73% the previous year). Experts in China are far more concerned about climate change than the average. Worryingly, concern in emerging markets is highest among those that contribute most to it — and are most likely to be affected. Experts have been focusing on Covid-19, decision-makers and the public are taking their eye off long-term threats like climate change — in the Future Risks survey, respondents also marked down risks to natural resources, despite growing challenges to biodiversity.

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The technology-security nexus

The Covid-19 crisis accelerated the global digital transformation and, over the next two decades, this trend frequently reshaped the strategies of governments, cities, and companies. New data and cyber security risks have emerged; these have changed the nature of governance, both nationally and internationally. The increased connectivity of critical infrastructure and the lack of a global consensus on cyberspace have increased nation states’ vulnerability to external attacks. Given their open societies, democratic states are disproportionately affected by cyber attacks. Authoritarian regimes — with considerable support from Beijing — have established near-perfect systems of digital authoritarianism, putting their citizens under permanent surveillance. By 2040, technological competition has become a deeply ideological battle, opposing democratic and authoritarian states.

Environmental challenges and the increase in multi-dimensional crises

Following Covid-19, governments and cities concentrated on economic recovery, switching investment away from climate action and renewable energy. As a result, climate targets were missed — the move toward carbon neutrality stalled and failed. By 2040, rapid urbanization and population growth mean that, in many regions, diseases spread more quickly — pandemics have also become more frequent. The old way of dealing with crises has been overturned. Security crises now follow health, environmental or migration issues. Water, for example, has become a cause of war between states, with many parts of the world now suffering from chronic shortages. Crises have become multi-dimensional, requiring better forward-planning by policymakers, and a more comprehensive approach to crisis management — involving both private and public sectors.

Less cooperation, more competition

By 2040, the world order is characterized by less cooperation and more competition, both between China and the US, and among regional powers. The world has shifted to a multipolar system. Global challenges are addressed mainly at the regional level. By 2040, major powers will compete to dominate the twenty-first century. New technologies will shape regions; cyber security and climate change will determine the outcome.

A desire to control new technologies has led to intense competition and rivalry, exacerbating global tensions. By 2040, China’s rapid catch-up on technology and India’s expanding workforce make them the most important contributors to global growth. The ability of the West to influence international affairs is challenged as its share of world population and GDP is shrinking. The European Union is more fragmented and potentially smaller, reduced as a more modest trade zone, while US global engagement continues to be more selective.

With the diffusion of political power, it has become harder to forge internationally binding treaties, and non-compliance and subversion of international laws have multiplied. It has become increasingly difficult to focus collectively on systemic issues such as poverty and environmental degradation. As a result, more ad hoc coalitions are created, involving cities and big companies as well as states, to provide critical mass on specific issues or in designated regions.

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The diffusion of power within states:

Competing power of cities and big tech companies

Power has shifted between states — within states, meanwhile, power has become more diffuse. Nation states face competition from cities and big tech companies. Many cities and regions have grown in power economically, demographically and politically; this has led to demands for devolution from central administrations — or at least greater recognition of local government. Following recent health and environmental crises, city and tech companies have become indispensable as providers of public services. By 2040, a hybrid system of governance has emerged — more complex and more decentralized.

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Vision 2040

In Chapter 1, we defined our main trends and emerging risks — and set out the possible pathways for humanity over the next twenty years through to 2040. In this chapter, we’ll go further, and imagine what that future might look like.

Chapter 2 projects these trends to 2040 and describes a future with a growing need for social protection, where healthcare is based on prevention, and where climate change is happening, just as the models predicted. This future is fictional yet rooted in real science and historical fact.

Designed press releases, broker reports, and customer profiles give a flavor of this 2040 future whilst finally, an analysis provides some of the implications for the insurance industry in this environment.
Awareness of climate change has continued to grow. The Covid-19 pandemic in 2020 exposed serious flaws in the world’s economic model — particularly its harmful impact on health and the environment. During the 2030s, there are constant news reports from around the world on droughts, heatwaves and floods. In 2034, Australia is hit by its worst drought in half a century, with a massive loss of crops and livestock. The rise in sea levels threatens the homes of an estimated forty million people. In many countries, those who have the means start to migrate away from the coast. Scientists say the loss of Greenland’s ice cap is now irreversible — in parts of Antarctica, marine life is almost non-existent. Climate change is wrecking millions of lives; some regions are facing extreme conditions and can no longer be inhabited.

In response, governments are taking measures — but they are not enough. The +1.5°C target, set out in the Paris Climate Agreement, was recalibrated in 2025 to +2°C. To support this target, governments introduce new carbon taxes on imports, and bring in incentives to encourage investment in “green” assets. Coal-generated power had been banned ten years before — new regulations impose compulsory carbon budgets on businesses, restricting the use of oil and gas.

In 2040, the effects of human-induced climate change have become more "Temperatures are 1.4°C higher than pre-industrial levels" — just as the scientific community forecast. Sea levels have risen; weather disasters — heatwaves, floods and droughts — have become more frequent and more severe; biodiversity has slowed that Nature remains under pressure.

"Temperatures are 1.4°C higher than pre-industrial levels"
A new body is created to monitor carbon emissions — the International Carbon Accounting Organization (ICAO). Carbon footprint data is made public — to encourage positive competition between companies and to “shame” those not complying. In such an environment, bigger companies often have an advantage — they have the resources to anticipate regulatory change.

By 2040, the energy sector has been turned upside down. Electricity utilities have shifted to renewables — thanks to massive investment from oil majors, pledging to reach net-zero by 2050. Energy production has become local — investment has poured into new complex smart grids. Homes are fitted with Tesla’s Powerwall-inspired batteries, allowing homeowners to store power from solar panels or windmills. Some countries have switched to nuclear to wean themselves off fossil fuels — though there’s still widespread political and public opposition to nuclear power.

“A new international body is created to monitor carbon emissions”

International trade has slowed — strategic industries have been brought “on shore,” while carbon taxes have significantly reduced trading profits in sectors like electronics and heavy industry. The volume of air freight has plummeted, with more goods being transported by sea and rail, encouraged by government tax breaks. New sea routes in the Arctic have also opened up because of global warming. That is good news for exporters in East Asia, now able to avoid the contentious Strait of Malacca — the main shipping route between the Indian and Pacific Oceans. At the same time, tourists have ditched long-haul travel in favor of local holidays by train or sea that will do less damage to the environment.

Governments and businesses have shown they can adapt to climate change. The environmental threat remains, however: new risks are constantly emerging from shortages of natural resources, severe weather, pollution from micro-plastics — even the risk of new diseases. In the next few years further urgent adaptation is needed.
FINANCE ALL TIMES

MONDAY 12 MARCH 2023

RWon aims to shake up Europe's power market with new quota system

Korea's new system, scheduled for implementation in 2025, could bring a price drop to end users, but some experts believe it may face challenges in achieving its goals.

In addition to cutting costs for consumers, the RWon system could also help the country achieve its carbon reduction targets.

Over time, the new system is expected to reduce the country's overall energy costs by 15% by 2050.

The market for green energy is also expected to grow, with the introduction of new quota systems.

The Korean government has expressed its support for the new system, saying it could lead to a more sustainable and efficient energy system.

However, some experts believe that the success of the new system will depend on how well the country can implement the new rules and regulations.

Korea's economic growth is expected to benefit from the new system, but some experts believe that it could face challenges in achieving its goals.

The government has indicated that it will continue to monitor the new system and make adjustments as necessary.

Notes for editors:

- The RWon system will be implemented in phases, with the first phase to begin in 2025.
- The system is expected to reduce the country's overall energy costs by 15% by 2050.
- The market for green energy is expected to grow, with the introduction of new quota systems.
- Korea's economic growth is expected to benefit from the new system, but some experts believe that it could face challenges in achieving its goals.
- The government has indicated that it will continue to monitor the new system and make adjustments as necessary.
Risk expertise to make the world safer

As we have seen, by 2040, the world will be warmer, more polluted and regularly shaken by extreme weather. Governments have brought in new, tougher regulations. Increasingly, civil society expects businesses to help in the fight against climate change.

As a result, the cost of insuring these risks has gone up. Climate change has become a priority for insurers too — that will not change. Economic losses from natural disasters leapt from just $27 billion a year in the 1970s to more than $200 billion forty years later. The rise in the cost of insurance is due partly to some natural disasters becoming more frequent and more severe — including heatwaves, droughts and floods. But it is also because of economic growth — as economies grow, so does the value at risk.

In 2017, only 42% of economic losses from natural disasters were covered by insurance61. If we do not act quickly, this protection gap may be much higher by 2040. For insurers, the risk does not stop at the environment — disasters often trigger social or health crises as well. Increased losses may also mean higher premiums, complicating efforts to help people in poor countries afford insurance.

Increased losses may require a more innovative approach to risk pooling. In order to remain at the forefront of risk management and climate change, insurers are responding in a number of ways:

The energy transition, meanwhile, will bring risks of its own: more pregnancies against oil and gas producers claiming they are liable for climate change, for example, or cyber attacks against the grid. Insurers are also diversifying their exposure to lower carbon assets, including airports and financial stocks. Climate will affect every country and every sector, and insurers will expect to cover all these risks, no matter how difficult they are to assess.

What role for the insurance industry?

Making the most of its risk expertise

Risk is defined as being a function of hazard, exposure and vulnerability. This relationship is non-linear and it can change over time as the three components of the risk equation change. Insurers can help clients determine the impact that a changing climate has on their insurance and help them adapt. Insurers can also help clients understand the implications of climate change effects by preventative measures such as the dissemination of risk information. They could advise clients on how these three components of the risk equation are evolving and regularly advise clients on how to reduce risk and increase their resilience to natural disasters. Resilient infrastructure and processes reduce the initial impact of disasters, and speed up recovery after. Research shows that every dollar spent on mitigation saves at least four dollars in future disaster costs62. In order to remain at the forefront of risk expertise, insurers collaborate with a range of external stakeholders including NGOs, scientific institutions, public and private sector players. The AXA Ocean Risk Initiative is an example of such multi-sectoral research approach.

Integrating nature-based solutions in risk models

Nature offers a multitude of services, called ecosystem services, that are vital to human well-being. These services help to protect and support human activities. Under these conditions, it is difficult to change how these essential services are valued, and to ensure people have access to these services and can invest in them.

Nature-based solutions — in which investable and innovative projects can be developed in local communities. Integrating nature-based solutions alongside more traditional resilience infrastructure will be a pivotal component of disaster risk management and climate change adaptations. Insurers could benefit from providing risk expertise to sequestering carbon and promoting economies in local communities.

Supporting a more responsible approach

By not providing insurance to carbon-intensive energy assets — such as oil and gas — insurers are excluding their clients from those that would not make investments. By not providing insurance to carbon-intensive energy assets — such as oil and gas — insurers are excluding their clients from those that would not make investments.

In particular, insurers could act as a catalyst for businesses to make changes to their business in the risk of the benefit of the climate. Not only this, but insurers have substantial assets under management and can provide risk advisory services. Insurers could incentivize clients to make changes in the future that will buy insurance, and advising them on how to avoid or reduce risk. By advising insurers, they take a forward-looking view, which means they have a unique ability to influence behavior for the better, both as an insurer and an investor.

The most pessimistic pathway established by the Intergovernmental Panel on Climate Change (IPCC) (known as RCP 8.5) entails a global warming of +2.0°C in 2040, +3.5°C in 2060 and +3.7°C in 2100. It would occur in the absence of any climate action. This scenario is worse than the corresponding: 1.5 molar acid rise, violent storms, heatwaves, droughts, major floods, etc., putting at risk most human activities. Under these conditions, it is difficult to imagine how insurers could be risk professional enough to offer people insurance at any reasonable cost. However, to see the whole picture, one must also consider not only the natural hazards but also vulnerability and exposure. While certain natural hazards are likely to become more extreme — including more severe drought, floods — of properties, for example — along with exposure, may change in the future as well. Consequently, demand of risk insurance can also change. The challenge may be to adapt ecosystem models and insurance, in partnership with stakeholder64, to support investments in both climate mitigation and resilience.
Globalization goes into reverse

In 2040, we are living in a much more localized world. In many countries, self-sufficiency has become the order of the day.


National governments have begun to rethink their policies—slowly, the old international system is being dismantled. Trade wars ensue; countries impose new tariffs to protect local industries. In strategic areas, like pharmaceuticals and medical supplies, production is brought back onshore. By the 2030s, international supply chains begin to fall apart—under pressure from increased duties and stricter trade regulations. Governments put more emphasis on national sovereignty. What had started in a handful of countries—among them, the US and China—soon spreads to the rest of the world. Local politicians begin to advocate a more protectionist approach, cities now home to nearly two thirds of the world’s population, become more influential as drivers of economic and environmental policies.

In the meantime, on-shoring has completely transformed the jobs market. Money pours into training and product re-design—much of it through new public-private partnerships. Businesses can no longer rely on labor from abroad and increasingly, skills are sourced locally, and workers trained for the emerging “low-touch” economy. With a strong development during the pandemic, the low-touch economy leads to businesses now operating mostly remotely—online or via mobile devices. Workplaces have also brought in more automation—in most cases, robots work alongside humans, while upskilling has become essential for low-skilled workers to keep them in the workforce.
Overall, the jobs market remains highly fragmented: two-thirds of workers have only informal contracts, without access to training or social benefits; most are employed in the ever-expanding gig economy. In cities, many workers struggle to find affordable housing. Local community groups have sprung up to help the most vulnerable; increasingly, these groups — comprising social workers, mental health professionals and conflict resolution specialists — act as go-betweens with national governments.

Since 2020, cities have continued to grow, as forecast. Worldwide, there are now more than forty mega-cities, with populations exceeding ten million people. Urbanization, however, is leading to increased social issues — three billion of the world’s inhabitants now live in informal settlements, with poor healthcare and, in many cases, no access to basic services such as clean water. Tackling urban poverty has become a political priority — a fallout from the 2020 Covid-19 crisis, which led to questions over the number of people in cities living in unhealthy conditions.

In many mega cities, urban planners have adopted the idea of a “15-minute city” — where there is access to goods and services, shops, offices and green space, within a 15-minute walk of any location in the city.
ObinzeOkereke

"Tomorrow will be better—and greener!"

Obinze has just turned 30. He lives in the center of Lagos, works from home—and loves R&B. He struggles to meet the rent on his apartment—located in Lagos’ newest satellite city because of all the amenities available in the city’s newly renovated suburbs. In recent years, Lagos has made significant improvements to adapt to climate change, with greener spaces and infrastructure, along with more access to basic public services. Obinze’s ambition is to find a new, better-paid job related to his true passion: green finance and nature-based solutions, a field which has gained traction in Africa in past years. He is currently following an online course to improve his qualifications.

Recommendations:
• Long-term “protection partner”
• Flexible payment products with additional services (e.g. mentorship program developed through public-private partnership)

Relevant industry trends:
• Future of work
• Resilient cities
• Risk transfer to the individual

Profile characteristics:
• Insurance not seen as a priority
• Limited financial resources
• Works alone—with little to no access to career support
• Has clear, long-term goals

Maria Elena González

"Modern life is full of risks. Trust matters more than ever before."

Maria belongs to GenZ—she is engaged on social and environmental causes. She buys only organic food, and tries her best to shop sustainably, enjoying the slow-tech farm located just five minutes from her home. María is working to tackle the digital divide, using technology to bring people together and fight social inequities. María works in one of the main government offices dealing with these issues.

Recommendations:
• Easy-to-manage, low-cost daily micro-coverage
• Usage-based insurance (UBI), such as Pay-as-you-drive or behavior-driven coverage

Profile characteristics:
• Familiar with technology—uses it to make her life easier
• ALWAYS prefers to buy from trusted insurers—i.e. those that reflect her values

Relevant industry trends:
• Changing consumer behavior
• Digital divide
• Social inequalities

By 2040, we will see the emergence of new, digital citizens. Our first portrait is María, who lives in Mexico City, fighting the digital divide in society. Our second—Obinze—believes nature-based solutions are the best way to tackle climate change.
Covid-19 is exacerbating inequalities. It is not just about income — it is also about access to health, education, services and opportunity. Increasingly, governments are wrestling with the issue of inequality. Insurance has a clear role to play as the economic stabilizer. It enables societies to recover from external shocks and provides an additional safety net to individuals, often as a complement to state welfare systems. In the future, the role of insurance as an “invisible force” and as an economic stabilizer is likely to be reinforced.

Previous crises have shown that, as economies slip back, the protection gap widens. Households make cutbacks, they reduce spending, stop investing in education or self-protection. Consequently, more people are pushed into poverty — those already in poverty will stay in poverty longer.

It is the less wealthy that need most protection, yet they are the ones with the least access to insurance because they cannot afford it, do not realize they may need it, or dismiss it as an unnecessary additional expense.

Insurance is not just a financial calculation, it also brings communities closer together. National welfare systems work by redistributing incomes (mainly through taxation). Insurance complements this by pooling risk. Together, they help maintain a sense of solidarity within society — which, in turn, supports growth and economic stability.

**What role for the insurance industry?**

**Playing a stronger stabilizer role**

With a potentially more fragmented world and deeper inequality, the role of insurance as an enabler of development will be more important still. Without insurance, an unpredictable future would be a major concern — people would be afraid to take new risks or make decisions. Economic analysis shows a general correlation between formal insurance penetration and GDP growth. Insurance is most beneficial if extended to more people. Currently, inclusive insurance provides low-cost cover to new customers in emerging economies who have no access to insurance — this concept could be extended to developed economies. Indeed, the market size potential for micro-insurance is estimated to be around four billion people — most live in countries which have little or no functioning welfare state. Inclusive insurance opens up opportunities for innovation including through new partnerships with government or civil society, or new forms of distribution channels. Technology has an important part to play. Digital channels have made it possible for insurers to speed up claims processing and improve communications with customers, allowing to reach out to a larger number of clients, including lower-income prospects. Digital channels have also allowed to offer more tailored and simplified products, thus helping financial inclusion. Mobile phones allow more people to access insurance, even in remote areas. Worldwide, more than five billion people now own a mobile phone; in emerging economies, mobile phone ownership averages close to 80%.

**Leadership on key societal issues**

In the years ahead, socio-economic risks are geared to become more complex and more “systemic.” Increasingly, governments will not be able to afford costly welfare programs and carry the management of negative externalities alone — the private sector will increasingly have to complement public action and play a leading role in society including on issues such as financial exclusion and mental health. Ultimately, public trust will depend on private and public sectors working effectively together to make the invisible hand of insurance more tangible, enhancing formal and efficient safety nets for more customers.

**Food for thought**

Technology can contribute to the development of solutions toward more inclusive insurance, especially through digital distribution channels. It provides the potential for more tailored and simplified — and often more affordable — insurance products thanks to lower underwriting costs generated by AI and better pricing of risks. Furthermore, technology allows to educate more people about risk and also allows easier access to services and quicker claims management.

But tech will not be a silver bullet and raises questions of its own, especially data privacy. The degree of data sharing will determine the capacity to tailor and price. Will tech and data lead to more individualization of coverage and less mutualization — which may end up being less inclusive? Furthermore, with the increased size of technology within large ecosystems how will insurers ensure they maintain their relationship with their customers?
Worldwide, life expectancy now stands at 76.80 in Spain and Japan, it is closer to 86.81. Aging populations have put tremendous strain on government health budgets. A series of health and environmental crises in the 2020s and 2030s makes matters worse. There are more pandemics, though nothing on the scale of Covid-19. Increasingly, policymakers focus on two key questions: how can we continue to provide healthcare for all? And how can we keep our populations healthy and immune to new epidemics — particularly in an aging society where more people suffer from chronic conditions, like cancer and heart disease.

In response, countries put more emphasis on disease prevention — rather than cure. The P4 concept of health — predictive, preventative, personalized and participatory — is widely adopted. Gradually, governments are engaging much less than before — as a result, healthcare has become a matter of personal responsibility. Where governments are still involved, it is through partnerships with private healthcare providers. There is more focus on mental health — seen by many experts as a precursor for more serious conditions. Alternative approaches to health become popular, including yoga and naturopathy — what matters most is wellness. Households spend much more on healthcare and health insurance, though this leaves those on low incomes at a significant disadvantage.

“Countries put more emphasis on disease prevention — rather than cure”
Technology has made a big difference — in many countries, robotics is fast-tracked into use to combat a persistent shortage of nurses and other care workers. Medical professionals have learnt new skills related to digital technology and data management. Genetic information is now also widely used — to authenticate access to personal medical records, for example, or to allow private healthcare providers to carry out risk assessments. Implanted devices provide a steady flow of real-time health information — something that was only feasible ten years ago through wearables. Even so, technology is not a panacea — recent pandemics have shown the continued need for the healthcare basics: hospitals, dedicated care workers and medical equipment.

With epidemics becoming more frequent, most people are willing to share personal data if it will improve their healthcare. The subject — the fourth P in the P4 approach — remains contentious, however. Some refuse implants and smart drugs, usually for philosophical, financial or access reasons. There are clear risks with respect to data privacy and cyber-hacking which, with implants, could mean anything from loss of privacy to fatal injury. The popular anti-vaxxer movement of the 2030s has also left its trace — on health issues, there is still a deep mistrust of governments in some quarters. Skeptics, however, are outnumbered by “augmented humans”, as implants, smart drugs and other health devices become commonplace.
What if healthcare was based on a digital score?

Our chart opposite shows a possible future health management system, where health is measured by a numerical index. Health data is collected and analyzed through tech devices, providing individuals with a score that helps them adjust their behavior and stay healthy. Individuals are therefore more responsible for their own health. Places around the city are connected to the system, so data can be fed into the health index, creating a healthcare system based on prevention.

1. **Health score index is the cornerstone**
   The health score index is computed using individual and collective real-time data based on connected devices. Diet, exercise, physical activity, and mental health are monitored, and the score is adjusted daily, depending on the situation. Health data is analyzed for individual and family health.

2. **Family is considered the best unit for monitoring health**
   Though composed of members with different ages and preoccupations, families are the most effective unit for health monitoring since members share the same diet, environment, and genetic background.

3. **Public-private synergy to maximize data exploitation and protection**
   Local health centers develop the health score system in partnership with tech providers and health authorities. The score changes depending on the situation (heatwaves, epidemics, anxiety level) which should influence behavior.

4. **A holistic approach to health**
   At the local school, mindfulness is taught from an early age — alongside healthy diets, nutrition, and the benefits of regular physical exercise. Many children suffer from eco-anxiety. To combat this, mental health programs and eco-friendly activities.

5. **Conventional medicine opens for alternative practices**
   Many workplaces feature a yoga room. Recommendations from the health index system include science-based medicine, but also traditional Asian practices, such as acupuncture, vegan diets, etc.

**Transparency at the forefront**
This chart shows a possible — not necessarily desirable — vision of the future, inspired by the rapid development of data collection and analytics. While empowering people with comprehensive health data and how they can take actions on it, such a system also raises ethical and political issues. To be effective, such a system would need to deal with two risks: that data is misused for commercial purposes or that governments use data to increase surveillance of the population.

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It is clear that health, in the future, will be driven by technology. Wearables, sensors, implants and AI will all become commonplace. Diagnosis and treatment will be based more and more on real-time data. People will bear more personal responsibility for their own health; different players will have to cooperate to deliver effective health. Technology companies, in particular, will have an important role to play.

The focus of health will also shift, becoming more holistic; healthcare will be about prevention, not just cure — a vital change in a society that is rapidly aging. Mental health will be more prominent, as will healthy diets, lifestyles and regular exercise — to stave off long-term illness.

Technology, of course, will bring immense opportunity — not least more access to healthcare. It also brings new risks, however — data protection will become a priority as its use increases. Governments will impose new regulations to prevent data leaks and cyber attacks. In addition, litigation may become more frequent — if technology fails to offer the right diagnosis.

Considering the human dimension
Technology can enhance healthcare — there is no doubt future health insurers will need to be agile and innovative in their approach. Technology cannot replace competent doctors, efficient care centers and personal care, however. To work successfully, healthcare requires considerable financial and human resources. By 2040, individuals will have much more responsibility for their own health. This should not be a burden. By providing personal support and advice, insurers can make sure this responsibility does not become overwhelming.

Food for thought
We have talked several times about “augmented humans” — using implanted trackers and other devices. The idea raises tricky ethical questions. Hypothetically, human beings could use implants in the brain to improve their productivity. Legally, should this be allowed? Would it detract from a person’s essential humanity? Even if it was allowed, how could such a delicate and vital organ be insured? Chances are cyborgs will still belong to science fiction even in twenty years’ time — but, with implanted devices, are we unconsciously taking the first steps toward half man-half robot? Are cyborgs really that far-fetched?

What role for the insurance industry?
Taking on the role of coordinator
The health sector will be more fragmented — insurers can help by guiding customers to the right doctor or the right hospital. They can also secure data from wearables and other devices — and ensure that data is properly protected, not just for individuals, but also for businesses or governments. Insurers are well placed to bring about more vertical integration within the health sector.

Forging a new relationship with customers
Insurers can become genuine “health partners,” complementing state health systems. In 2040, successful health insurers will be “cradle to grave” partners, providing a range of increasingly personalized care, advice and on-demand services — all based on real-time data. They’ll help customers move toward usage-based insurance, with flexible pricing that will make healthcare more accessible.

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Conclusion

2040, what role for insurers in society?

Though we cannot predict the future, one probable version of it is a world in which climate change impact on daily lives will become reality, where inequalities will threaten to reverse globalization and where healthcare, while more fragmented in provision, is driven by new technologies.

Our analysis points to a world that faces growing future challenges in the increasingly interconnected areas of climate, the economy, and health — just like the Covid-19 crisis, future ones are increasingly likely to be multi-dimensional.

Foresight is about anticipating change and being prepared to act on potential pathways of change. To solve the challenges and harness the opportunities ahead will require trust and cooperation between all economic and societal players — local and national governments, public and private sectors, tech firms and insurers.

The future trends of climate change impact, social fragmentation and inequality and a combination of health and tech point to a potentially stronger role for insurance across areas:

• In the climate realm, insurance can play a catalytic role for a greener and more sustainable world. Through the continued development of innovative financial instruments towards a green transition, products that support the preservation and restoration of the natural world, the integration of nature-based solutions in risk-modelling and the promotion of greener and more resilient infrastructures and processes within their ecosystem.

• In the socio-economic realm, increased localization and fragmentation accompanied by stronger inequalities will shed light on insurance’s role as an “invisible force” for economic stability. The provision of access to insurance products for “emerging” customers, not only in emerging markets but in higher income economies, will be crucial and go hand in hand with more expectations from the private sector on issues such as financial exclusion or even mental health — probably more so for the insurance sector with its unique role in recovery, risk pooling conducive to economic stability and growth.

• In health, insurers are in unique position within the health system, with their strong relationships to medical providers and patients, to ensure proper orchestration of the health chain and access to the treatment and care they need to their customers. Those who know to best manage their partnerships and data are poised to act as trusted coordinators and to play a key role in strengthening integration and partnership across the health sector.

Insurance is about resilience, rebuilding and enabling — all three will be increasingly important to face the challenges ahead and help seize the related opportunities for society.
Note on methodology

• Principle of Foresight
Foresight helps us identify future risks, trends and opportunities. This “foresight” way of thinking provides the basis for this Report. Working with our consultants at Changeist, we have identified the environmental, health and socio-economic trends we believe will shape the next twenty years. By doing so, our aim is to help AXA prepare for the future, and to build a forward-looking company that can respond quickly to changes in its markets and operating environment.

• Methodology
To compile this Report, we worked closely with Changeist. We organized a series of dedicated sessions with internal experts at AXA to determine content. Changeist has developed its own foresight methodology, called “How to Future,” based on five steps (see below). The main objective of this approach is to conceive, structure, design and communicate possible future scenarios, which can then be used in developing new strategies, initiatives or products and services.

STEP 1 - Mapping:
First, we identified initial trends and drivers. To do this, we carried out an extensive review of reports, white papers, opinion articles, news items, academic journals and newsletters. We focused on long-term trends — and sought to identify patterns and connections between trends. We also looked at their “likelihood” and “time horizon” — i.e. how likely it was that a particular trend would emerge, and for what period of time.

STEP 2 - The Implications Wheel:
From our initial list, we chose the most important trends for further assessment. This assessment focused on the potential STEEP (social, technological, environmental, economic, political or cultural /values) impact of each trend.

STEP 3 - Canvas:
Relevant trends were then linked together to develop future scenarios.

STEP 4 - Storytelling:
Each scenario is then translated into specific insights for the business. Examples and future design elements are added to illustrate the effect of each scenario.

STEP 5 - Assessment:
The results are analyzed and lessons applied to the company’s business.

• Process
Producing this report has been a collaborative process; it has involved more than thirty internal experts (aside from AXA’s dedicated Foresight Team). This Report reflects AXA’s commitment to constant improvement — even if that involves directly challenging the company’s future. The process began in January 2020 during the AXA Days, with a sprint workshop, organized by the Foresight Team to present initial ideas for the Report. Internal experts were then invited to provide feedback — experts were drawn from different regions, backgrounds, and professional disciplines.
New solar and wind projects are undercutting the cheapest existing coal-fired plants. Evidence is mounting that tipping point events (e.g. loss of the Amazon rainforest or the extinction of various species) could trigger dangerous feedback loops. The number of hydrological events reported tripled between the 1980s and the 2010s. Trends may be defined as an emerging or ongoing pattern of change.

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Chapter 1: Pathways to the future

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Chapter 2: Vision 2040

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