


# Outlook for Financial Services 2025

Global challenges expected to impact on Financial Services providers in the coming 12 months

Theme	Megatrend	What the market expects to happen this year	Altus view on what this means for Financial Services firms
<b>Technological Transformation</b> 	<b>Finance Digitisation</b>	Cryptocurrency is stepping out of the shadows as central banks globally consider launching virtual currency. Distributed ledger exchanges are being built.	In this scenario we will see the beginnings of a wholesale re-design of the financial system, from payments to trading and settlement, impacting all Financial Services firms.
	<b>Technology Modernisation</b>	Firms with technical debt are finding this to be increasingly costly and more vulnerable to malicious cyberattacks.	We are seeing a focus on cost and risk reduction and a push against exceptionalism, as bespoke code bases are less agile and harder to maintain.
	<b>AI and Automation</b>	Generative AI capability and usage has exploded in 2024, and investment continues to ramp up as firms see the value more than the risks and seek to leverage this.	Firms need to be selective in their use of AI versus “traditional” algorithms. AI will have uses across operations, distribution, advice, banking, client communications, fraud prevention, risk modelling & underwriting, claims and reporting.
<b>Global Political and Regulatory Transformation</b> 	<b>Regulatory Change vs Enforcement</b>	Regulatory change is becoming more policy-driven, with some governments intervening directly to shape the agenda and even easing certain regulations, while at the same time enforcement actions grow stricter.	Firms in some sectors, particularly banking, insurance and investment distribution, will have more opportunities to serve lower-value clients, but we could see growth in compliance team workload.
	<b>Global Regulatory Divergence</b>	Political upheaval from 2024 has seen a huge shift from incumbent parties, resulting in divergent regulatory regimes across continents.	There is potential for regulatory divergence to lead to significant offshoring of insurance and investments, but we still believe regulatory equivalence agreements are needed in the coming years.
	<b>Volatility and Instability</b>	Geopolitical conflict continues, combining with changes in national governments to drive further uncertainty across markets.	Advisers and customer-facing staff will need to reassure customers and help them to avoid kneejerk financial decisions.
	<b>Trade Barriers</b>	A new threat of increased barriers to global trade as protectionist agenda gains momentum.	There is an increased risk that new barriers will arise in global financial transactions, bringing the possibility of business restructuring across regions. Global supply chain risks need more focus on operational resilience.
	<b>Wilder Nature</b>	Global heating continues to bring record high temperatures and extreme weather, leading to worsening insurance losses.	We will see a growing “uninsurables” P&C sector where public/private partnerships may be the only answer to provide affordable cover.
<b>Consumer Behavioural Change</b> 	<b>Consumer Disloyalty</b>	Growing trend towards lower customer loyalty to brands, with a greater willingness to switch and less friction.	Firms must react by innovation and personalisation of products, services and customer experience to attract and retain customers.
	<b>Mass Personalisation</b>	Customers demand more from their product and service suppliers, with more products aimed at meeting their bespoke needs.	We will see more use of data & technology in combination to target better consumer experience and outcomes. We note some commentators predict the first omni-cover insurance policy will be announced soon.
	<b>Demand for Sustainability</b>	Despite contrary messaging about the environment, ethics and diversity, affluent and wealthy individuals’ demand for products that consider ESG issues continues to rise.	The sustainable investments sector will continue to grow, but still chosen more often by affluent and wealthy clients. Sustainable and ethical banking and insurance policies will attract similar clientele.