

Property & Casualty (P&C) Insurance State of the Market 2020: Underwriting for the Next Normal

Insurance - IT Services (ITS)

State of the Market Report – August 2020: Complimentary Abstract / Table of Contents

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- Benchmarking | Pricing, delivery model, skill portfolio
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- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
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- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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Background and scope of the research

- Property & Casualty (P&C) industry is witnessing a major disruption in its business ecosystem, specifically from evolving customer expectations, demand stress, and profitability pressure. In addition, the pandemic has induced an uncertain macroeconomic outlook, resulting in depressed industry sentiments along with weakened underwriting performance and additional claims burden for P&C insurers. The looming threat of natural catastrophes, with the hurricane season approaching, is likely to impact the profitability ratios further and is another concern for the industry
- As P&C insurers face these challenges and craft cogent strategies to emerge stronger in a post-COVID-19 world, doubling down on experience and innovation measures will be crucial to achieving future success. Insurers should look to focus on developing digital customer acquisition models, offering a frictionless claims experience, addressing the industry talent gap, and instituting new business models to survive the pandemic and thrive in the next normal. Investing in a platform-first operating model to enable underwriting transformation will be a key step in this regard
- P&C insurers, in a bid to enable compelling underwriting experiences and drive down costs, are looking to modernize their IT systems. Technology levers such as automation, analytics, cloud, and Artificial Intelligence (AI), combined with modern delivery methodologies, such as DevOps, will help P&C insurers drive agility, flexibility, and scalability
- The pandemic is catalyzing investments in these technology transformation themes for P&C insurance firms and helping them become more consumer-focused, efficient, and agile
- In this report, we cover:
 - Forces shaping the future of the P&C insurance industry
 - Implications for P&C insurers to navigate the COVID-19 impact and manage the near-term uncertainties
 - Technology operating model to drive underwriting transformation and set up P&C insurers for future success in the next normal
 - IT outsourcing spend analysis of P&C insurers across Lines of Business (LoB), buyer types, geographies, and service segments

Scope of this report



Industry
Insurance



Market segment
P&C insurance



Geography
Global



Sources

Everest Group ongoing tracking of the P&C insurance industry, public disclosures, interactions with P&C insurance enterprises, service providers, and technology vendors, proprietary database of 500+ active, multi-year IT Outsourcing (ITO) contracts within insurance (updated quarterly), and operational capability of insurance service providers (updated annually through service provider RFIs)

Summary of key messages



P&C insurance industry registered a **premium growth of 2.0%-2.5% in 2019**; long-term industry growth fundamentals remain strong amidst the COVID-19 turmoil, albeit with concerns on demand shock and profitability pressure, leading to near-term financial distress

P&C insurers need to craft **cogent recovery strategies** and draw out effective technology transformation roadmaps to manage the near-term uncertainties induced by the pandemic

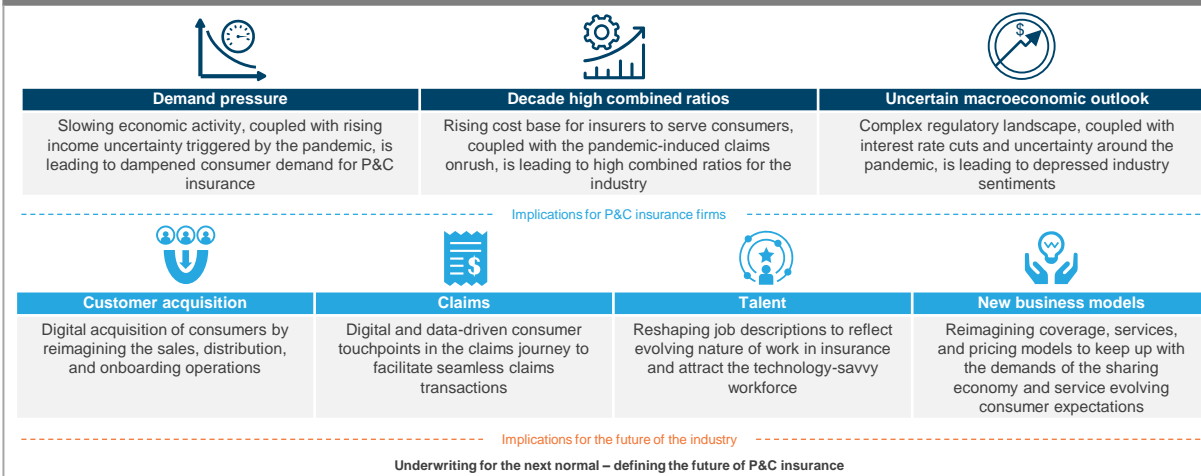
Evolving sales and distribution models, making claims touchpoints more digital and data-driven, managing talent issues, and exploring new business models will pave the way for future growth

P&C insurers' need to adopt platform-first operating model, to reimagine underwriting strategy and **drive an accelerated underwriting experience** for consumers, will be critical to thrive in the next normal post-pandemic

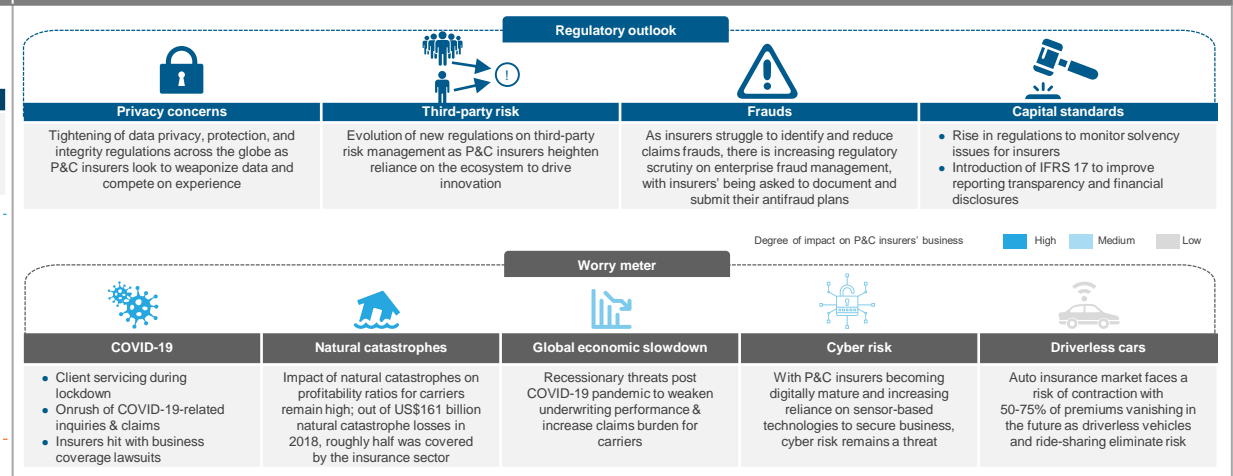
Insurance IT **spend to drop in 2020** by 2.5% to 5.0% on the back of the COVID-19 crisis; however, as the crisis abates, specific industry segments will attract disproportionate IT outsourcing spend, driving overall IT spend growth

This study offers five distinct chapters providing a deep dive into key aspects of the P&C insurance market; below are four charts to illustrate the depth of the report

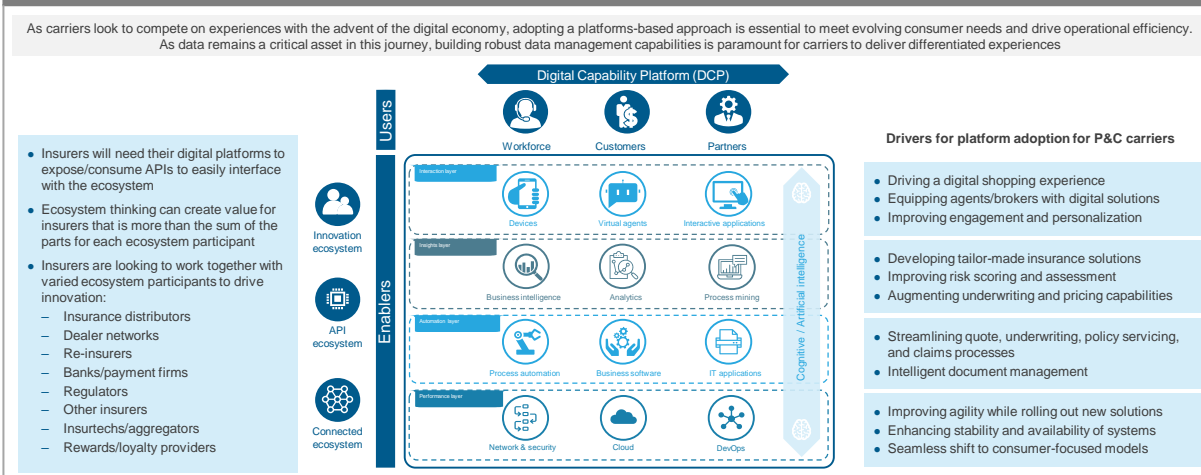
State of affairs in the P&C industry



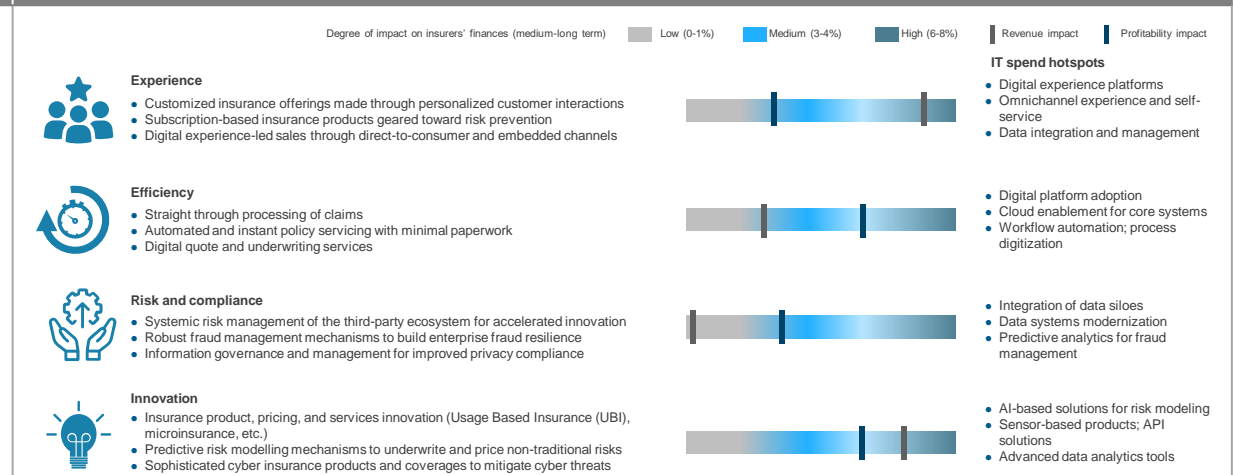
Market forces shaping the P&C industry outlook



Technology operating model to succeed and thrive in the new normal post pandemic



IT modernization spend themes in the P&C industry



Research calendar – Insurance IT Services

Published
 Planned
 Current release

Flagship Insurance IT Services reports

Release date

Next-generation IT Infrastructure Services in Insurance PEAK Matrix® Assessment 2019 – Laying the Foundation for the Digital-first Insurer	June 2019
Insurance IT Service Provider Compendium and Capability Snapshot 2019	September 2019
Life & Annuities (L&A) Insurance Application and Digital Services PEAK Matrix® 2020 – Conflated Growth and Efficiency Agendas	December 2019
Property & Casualty (P&C) Insurance Application and Digital Services PEAK Matrix® 2020 – Coverage, Channels, and Commercial Model Innovation	December 2019
Guidewire Services PEAK Matrix® Assessment 2020 – Setting the Stage for Core on Cloud	May 2020
L&A Insurance State of the Market – Platform-first Model to Simplify and Rationalize Systems for Rapid Cost Take-out	June 2020
Property & Casualty (P&C) Insurance State of the Market 2020: Underwriting for the Next Normal	August 2020
Guidewire Services – Service Provider Compendium 2020	Q3 2020
IT Enablement Services for Business Model Innovation in Insurance – Services PEAK Matrix® Assessment 2020	Q3 2020

Thematic Insurance IT Services reports

Wipro Bets Big on Healthcare Through the HealthPlan Services Acquisition	May 2019
Digital Experience Platforms (DXP) in Insurance	April 2020
Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle	April 2020
Making a Business Case for Modernizing Core Systems for the US Retirements Industry: Value Beyond Cost Savings From a Cloud-enabled Recordkeeping System.....	May 2020
State of Cloud Adoption in Insurance	Q2 2020
Claims Management of the Future – Focus on P&C Insurance.....	Q3 2020

Note: For a list of all of our published Insurance - IT Services (ITS) reports, please refer to our [website page](#)

Additional Insurance IT Services research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

- 1. Making a Business Case for Modernizing Core Systems for the US Retirement Industry** ([EGR-2020-41-R-3727](#)); 2020. In this report, we deep dive into the recordkeeping, the core component of the Defined Contribution (DC) plan administration business function. We analyze key business and technology issues, provide a business-case for modernization of recordkeeping systems, assess the offerings of eight leading recordkeeping platform vendors, and cover the approaches for core system modernization for recordkeepers
- 2. Guidebook for Insurers to Solve the IFRS 17 Reporting Puzzle** ([EGR-2019-41-R-3697](#)); 2020. In this research, we provide a comprehensive system-readiness checklist for insurers and analyze 12 leading IFRS 17 technology platform vendors, focusing on their capabilities across accounting, actuarial, and data management. The new reporting standard, IFRS 17, was finalized in May 2017 and is now expected to be introduced on January 1, 2023. Our assessment is based on Everest Group's proprietary transaction intelligence database, public disclosures, and discussions with enterprises, technology vendors, and service providers
- 3. Clients Can't Get No Satisfaction: What is Holding Back ROI in Digital Transformation** ([EGR-2020-0-R-3604](#)); 2020. This report delves into the factors underlying enterprises' expectations from service providers in terms of return on investment, and their technology investment priorities. It recommends service providers to align their offerings and capabilities with the future investment areas identified by enterprises

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