



Property & Casualty (P&C) Insurance State of the Market 2024

Balancing the Dual Mandates of Profitability and Efficiency with Innovation & Growth

Month 2024: Complimentary Abstract / Table of Contents

State of the Market Report
Insurance Information Technology



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- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ SAP Services
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- ▶ Software Product Engineering Services
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Background and context

In 2023, insurance enterprises were able to strengthen their profitability due to rate increases, better underwriting practices, and higher investment returns. Despite this, the P&C insurance industry is still not earning enough to cover its cost of capital. The market is expected to pose challenges for several lines of business within P&C insurance in 2024. Given the uncertainty, insurance enterprises need to take a proactive approach to price existing risks competently and assess newer risks effectively to remain profitable. They also need to actively seek ways in which they can navigate through some of these overarching macro and micro challenges.

As insurers navigate through this period of uncertainty, both cost and efficiency are going to be the two key pillars for them. **In this report, we demonstrate how innovation is going to support insurers' dual agenda of achieving cost reductions and efficiency and maximizing growth in the long term. We also highlight the opportunities and risks that insurers are confronted with amid the challenging market environment.**

As the insurance industry undergoes transformation, insurers need to embrace parametric insurance, seize opportunities in the MGA market expansion, and build their industry cloud offerings. This entails cultivating partnerships with MGAs and covering emerging risks.

In this report, we also highlight the importance of AI on cloud for insurers as it can drive value creation through an intelligence-driven approach and estimate the productivity gains achieved by leveraging advanced analytics across the underwriting value chain. Doing so allows underwriters to spend more time in analyzing data and generating relevant insights. This can further assist insurers to achieve cost savings, increase operational efficiency, reduce error rates, and drive premium growth by unlocking higher sales efficiencies and rapid product innovation. Later in the report, we have demonstrated that AI and analytics use cases within the underwriting function can drive operational efficiencies, reduce human intervention, and ultimately drive cost savings and higher customer satisfaction and retention levels.

We have also commented on the insurance IT services market trends and growth outlook; providing Everest Group estimates of the global insurance IT services outsourcing market along with analyses by sub-lines of business, regions, and services subsegments.

This study offers 4 distinct chapters providing a deep dive into key aspects of the P&C insurance technology and services market; below are four charts to illustrate the depth of the report

P&C insurance market | growth, profitability, and innovation agenda

Innovate for a new normal

- Prioritize and align operating model with an aspiration of value maximization and cost efficiencies via adoption of Agile and FinOps best practices
- Identify opportunities for workflow automation and operational efficiency in high-volume, error-prone areas of claims and underwriting

Enable growth and drive operational efficiency

- Acquire new customers by introducing geography-specific GTM strategy across high-growth market such as APAC, LATAM, and MEA
- Prioritize client retention by focusing on hyper-personalized experiences
- Build line of business and key user-focused playbooks to capture and address distinct demand nuances
- Invest in OKRs that focus on long-term goals and not just shorter-term gains

Embrace strategic cost transformation

- Invest in capabilities to build wrapped products that can seamlessly adjust coverage based on the evolving needs of policyholders
- "Single-tap" underwriting and pricing, with dynamic adjustment(s) based on customer data and personalized actions leveraging telematics, IoT, and alternative data sources
- Partner with broader ecosystem players to improve fraud detection capabilities and account for new risk factors

Data-led AI transformations | spotlight on underwriting

Insurance value chain functions	Product development	Sales and distribution	Underwriting	Policy servicing	Claims management
Prominent avenues for Value creation	Revenue increase using hyper-personalization	Improved marketing efficiency and sales effectiveness	Enhancement of underwriting profitability	Continuous monitoring of data streams from IoT/telematics	FNOL decisioning, STP, and optimized routing
	Use of synthetic data for new (cyber, climate) product development	Smart cross-selling and upselling	Risk modeling and risk engineering automation	AI- / Generative AI-based customer communication	Fraud detection and prevention
	Actuarial workflow digitization	Channel network and commission optimization	Tailored value-add services to improve Q2B cycle	Automated and digitized workflow for onboarding	Accurate data-based claims processing

Impact of investments in D&A/AI across major lines of business

Line of Business	Intake	Triaging and segmentation	Risk assessment	Decisioning and pricing	Quote, bind, and issue
Personal lines	Intelligent intake models to extract data, with added functionality of pre-filling data from third-party sources	Smart underwriting to segment the higher complexity cases that require attention from underwriters and move the simpler cases through a simple rules or analytics-based straight-through process	Dynamic risk assessment solutions for products such as usage-based insurance and parametric insurance products	Telematics-based use cases, such as pay-as-you drive, pay-how-you-drive, and pay-per-mile	Quotes in real-time through online channels and mobile applications, leveraging sensors and IoT monitoring devices
Commercial lines	Intelligent intake models to extract data, with added functionality of pre-filling data from third-party sources (property intelligence) and multiple types of formats, categorize, and highlight most important risk factors	Data integration platforms	Hazard-/catastrophe-based risk scoring tools, analytics-backed risk assessment platform, and customized risk protection	Pricing formulas that leverage internal and external data with AI and ML capabilities – that plug in with core system to accelerate rate creation	Automated quote and bind workflow management platform with improved straight-through processing
Specialty lines ¹			Intelligent data capture for cyber-related offerings	Dynamic pricing models as competitive threats emerge and customer preferences evolve	Accelerated underwriting through a configured rules engine
Enabling technology	IoT devices Drones AI-based risk estimation	AI chatbots Telematics Mobile application	AI-driven case management Image and video processing Advanced analytics	Big data Image recognition Telematics	Digital payments processing AI-driven decision-making APIs for data sharing for subrogation and litigation

¹ Includes the analysis for cyber, marine, personal liability (professional), commercial liability, and other liabilities such as D&O and E&O

Global P&C IT services market size and growth outlook

Analysis of global insurance IT services spend (in-house and outsourced)
US\$ billion, 2023-2026F

XX Actual growth rate / YoY
XX CAGR 2024E-26F
E = Estimate
F = Forecast

Year	Total Spend	Insourcing	Outsourcing
2023	126.2	69.5	56.7
2024E	129.0	70.4	58.6
2026F	134.9	72.3	62.6

Insurance IT services growth drivers/accelerators

- Global insurer IT spending is forecast to rise by 2.2% in 2023-24, and to continue to grow at almost the same pace through 2025
- In the next wave of digital transformation, insurers will look to consolidate existing gains and better connect critical processes to adapt to existing value propositions and tap into new risk pools
- Industry-wide, insurers are embracing a customer-centric approach to understand changing behaviors and preferences
- Cloud technology is driving major IT spend, allowing faster product launches and data-driven decision-making
- Insurers recognize the impact of AI, IoT, and cloud innovation, leading them to prioritize operational agility and meeting evolving customer expectations
- Advances in AI are increasing the speed, reach, and affordability in two main areas: automation and predictive accuracy
- To secure positive return on investment, insurers are re-engineering workflow processes and investing in data engineering capabilities to maximize the enterprise-wide potential of digital data and algorithms, and adapting to regulatory requirements with respect to data privacy and analytics

Research calendar

Insurance Information Technology

	Published	Current release	Planned
Reports title	Release date		
Unleashing the Potential of Generative AI (GAI): A Game-changer for Property and Casualty (P&C) Insurance Claims			August 2023
Insurance IT Services Specialists			August 2023
Cloud Services in Insurance PEAK Matrix® Assessment 2023			October 2023
Cloud Services in Insurance – Provider Compendium 2023			December 2023
Low-code Technology Providers in Insurance – Products PEAK Matrix® Assessment 2023			January 2023
Low-code Technology Providers in Insurance – Provider Compendium 2023			January 2023
Transforming Insurance: Creating a Best-of-Breed Model by Combining Low-code and Core Platforms			March 2023
Exploring Generative AI's Role in Reshaping the Future for BFSI Enterprises			April 2024
Duck Creek Services PEAK Matrix® Assessment 2024			May 2024
Property & Casualty (P&C) Insurance State of the Market 2024			May 2024
Guidewire Services PEAK Matrix® Assessment 2024			Q2 2024
Life and Annuity (L&A) Insurance IT Services PEAK Matrix® Assessment 2024			Q2 2024
Life & Annuity (L&A) Insurance State of the Market 2024			Q3 2024
Insurance IT Services Specialists PEAK Matrix® Assessment 2024			Q3 2024
Insurance IT Services Specialists – Provider Compendium 2024			Q4 2024

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