World Report Series 2024
Property and Casualty Insurance

Become an underwriting trailblazer

Chart your transformation across a shifting risk landscape

Capgemini
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Foreword

The property and casualty insurance industry faces significant challenges, with global combined ratio reaching 103% in 2022. Inflationary pressure and a volatile risk landscape have tossed traditional underwriting strategies into disarray. Accurate risk prediction and pricing are becoming increasingly challenging and leading to insurability concerns. But an insight-driven opportunity is in sight.

Capgemini's World Property and Casualty Insurance Report 2024 identifies the success strategies of underwriting trailblazers thriving in today's complex environment. Our report serves as a playbook for P&C carriers, drawing on real-world examples illustrating why underwriting transformation is essential.

We interviewed underwriters, policyholders, and insurance leaders globally. Our analysis reveals a stark truth: underwriting potential lies untapped across the sector. Market forces have shifted, and stakeholders in the trenches understand that the time to transform underwriting is now.

What are trailblazers doing differently? They're breaking free from legacy models, attracting the right talent, and fostering a culture of innovation. Trailblazers harness data through predictive analytics, AI, and cutting-edge technologies to make informed decisions and enhance risk assessments.

Insurance firms and underwriters leveraging rich insights that augment human expertise can effectively respond to evolving risk dynamics and policyholder behaviors that impact their business lines. AI-driven insights and automation are indispensable to driving business practices that enhance risk modeling and customer transparency.

Our report found that underwriting trailblazers rarely miss their business goals – sparking topline growth, positively impacting profits, and enhancing risk oversight. Join us as we explore the journey toward an underwriting transformation and its crucial role in driving underwriting profitability and unlocking business growth.

Anirban Bose
Financial Services Strategic Business Unit CEO
& Group Executive Board Member, Capgemini

Executive Steering Committee

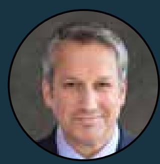
The World Property & Casualty Insurance Report 2024 Executive Steering Committee participants included top executives from insurance firms, InsurTechs, technology leaders, and industry associations. We are grateful for their time, experience, and vision as they steered the report content. Participants represented the Americas, Europe, and Asia Pacific regions to ensure a mix of global perspectives and experiences.

Insurance Firms

Veit Stutz
Chief Executive Officer
Allianz Spain

Jim Qin
Chief Executive Officer, General Insurance
Zurich Hong Kong

Shakeel Farooque
VP & GM - Small business, recreational, smart home and digital economy
State Farm



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Executive summary

Amid an increasingly complex environment of evolving risks, regulatory constraints, and shifting customer expectations, property and casualty (P&C) insurers face rising pressure to uphold underwriting discipline and expand business. Many firms are revamping their underwriting foundation to overcome these challenges using generative AI (GenAI), predictive analytics, and intelligent automation. These tools allow underwriters to make faster, more accurate decisions amid increasing volatility. Capgemini's World Property and Casualty Insurance Report 2024 showcases underwriting trailblazers and a practical Intelligent Underwriting Playbook, based on real-world examples to illustrate how modern underwriting is critical to P&C insurers' future success.

Challenges mount for P&C insurers

The P&C insurance risk landscape is evolving rapidly as the frequency and severity of natural catastrophe (NatCat) events, coupled with fast technological changes increase underwriting complexity. This has led to an unsustainable global P&C combined ratio of 103% in 2022, marking the third year of losses in the last four years. This reveals the limitations of outdated models and suggests that carriers can't compete only with base rate increases but also require more sophisticated risk analysis.

However, organizational constraints such as data deficiencies, legacy systems, and a growing lack of skilled talent – restrict insurers' ability to respond agilely to evolving policyholders' expectations around affordability, simplicity, and transparency. This challenges insurers' ability to win and retain business.

Further, our 2024 Underwriters' Survey results suggest that over 41% of underwriters' time is focused on administrative and operational activities, constraining their capacity and triggering value chain challenges in pricing and broker/customer experience. As a result, insurers are unprepared to react to volatility and struggle with limited risk assessment capabilities, inadequate insight access, and uneven operational alignment. Our research and analysis suggest that sustained success requires new underwriting practices that safeguard profitable growth and deliver superior customer experience.

Drive profitable results with speed and accuracy

Underwriters told us that relevant third-party data insights and predictive models are essential to accurately assess and price risk, yet less than 37% of insurers have advanced third party data capabilities and only 27% have advanced predictive modeling capabilities.
How can insurers augment and streamline underwriting operations and enhance efficiency, accuracy, and risk aggregation controls?

Our Intelligent Underwriting Playbook offers ways to transform underwriting and business results by:

- **Connecting the data dots** through risk mitigation propositions, blending traditional and relevant third-party data sources, and building secure data ecosystem partnerships.
- **Unlocking actionable insights** using predictive analytics for accurate pricing, while earning underwriters' trust in algorithmic insights by practicing collaborative change management.
- **Evolving the underwriter role** by enhancing automation and insights through digital workbenches that augment human judgment to handle complex risks more precisely, upskill underwriters and include them in strategic and sales-enablement activity.

Underwriting transformation delivers powerful business results

Our primary research suggests that only 8% of insurers qualify as P&C trailblazers that leverage data-driven underwriting enabled by advanced technology capabilities. Trailblazers also foster internal collaboration and maintain customer transparency; and they generate superior results through enhanced efficiency, accuracy, and outstanding broker and customer experiences.

To replicate trailblazers' success, P&C insurers will need to embark on a clearly-defined transformation journey including these critical mileposts:

- Design a flexible capability roadmap to ensure adaptability and rapid risk appetite calibration when needed
- Develop a digital transformation plan and redefine the underwriting operating model to modernize foundational IT systems, and optimize workbenches to enhance rates and eligibility accuracy
- Leverage modular designs to navigate operational and system trade-offs and encourage change by linking compensation to new capability adoption
- Outline tangible ROI and combined loss ratio goals: focus on revenue growth, cost reduction, and proactive risk mitigation to compress the data-to-decision cycle and boost eligibility, risk selection, and pricing accuracy.

Challenges mount for P&C insurers

A tale of contrasting P&C trends: Hearty premium growth versus ongoing underwriting losses

The traditional approach to P&C risk assessment and pricing is facing significant challenges. The compound annual growth rate (CAGR) of P&C premiums across commercial (7.8%) and personal (5.4%) lines rose from 2019 to 2024 – outpacing the global GDP CAGR of 2.3% during the same period.[1 2 3] However, it was rate increases, not policy sales, that drove growth.

While P&C premiums grew, underwriting struggled. During this time, combined ratios breached 100%, as losses outpaced new business premiums. Legacy practices now fail against market transformations like climate change, cyber risks, and mobility shifts amid high consumer expectations. Outdated underwriting engines require technologies that inject accuracy, efficiency, and transparency to restore profitability. In addition, commercial line premiums surpassed those of personal lines for the first time in 2022, and the trend is on track to continue (Figure 1).[1]

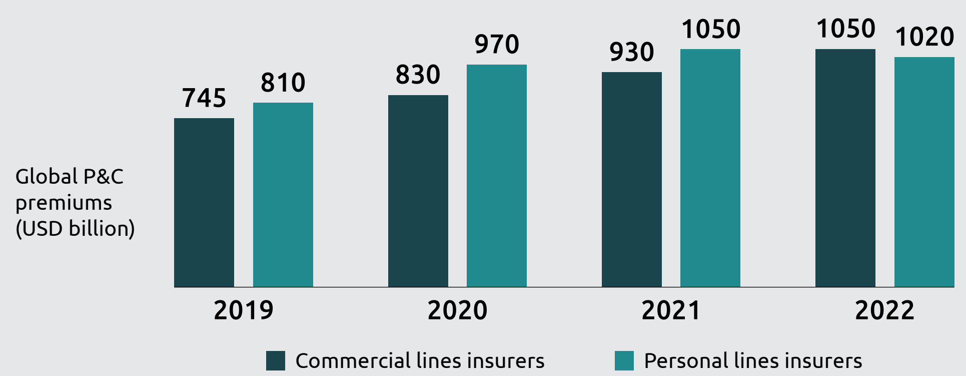
P&C insurers must adapt to navigate underwriting losses

The global combined ratio, reflecting losses and expense ratios, surged to an alarming 103% in 2022.[4] The result? Profitability took a hit, as rising claim costs devoured more than the premium dollars collected. Higher loss ratios directly impact the bottom line, affecting shareholder returns and, ultimately, the carrier's valuation.

Loss catalysts included:

- **Increased volatility** as global insured losses from NatCat events reached ~USD 123 billion in 2023, marking the fourth consecutive year, and the sixth in the last seven years, in which losses exceeded USD 100 billion.[5]
- **Evolving risks** spurred by technological innovation have a significant impact. For example, repair costs for a mid-size electric SUV are 53% higher than those for a similar traditional vehicle as usage patterns change.[6]
- **Regulatory complexity** limits insurers' ability to freely adjust rates in several jurisdictions, including California, South Australia, and Switzerland. These controls have had severe consequences for insurers, with two-fifths of home insurers in California leaving the US state because of escalating climate disasters and the inability to adjust pricing.[4, 7]

Figure 1. Commercial lines premiums have surpassed those of personal lines



Source: Swiss Re Institute sigma reports on the global insurance industry, 2019-2022

An overhaul of underwriting practices appears necessary to align with evolving customer needs, achieve sustainable growth, and regain profitability. Juan Arsuaga, Executive Board Member of Portuguese insurance company, Fidelidade, said, "Insurers should accept that risk cannot be precisely predicted. The best insurers can do is to offer accurate risk assessments and mitigation to minimize exposure."

Policyholders demand affordability, simplicity, and transparency

Escalating rates are a trend across both commercial and personal lines worldwide. Global commercial line rates grew at an 11% CAGR (2019-2023).[8] According to MarketScout, the composite rate increase for personal insurance lines across the United States rose at a 4.5% CAGR (2019 - 2022).[9]

As part of our 2024 Global Voice of the Customer (VoC) survey – which included 3,323 policyholders across 16 markets – 42% of customers said they find the underwriting process complex and lengthy.

More policyholders want to know whether the cost of premiums equates fairly to the value delivered. Of the personal line policyholders we surveyed, 27% said they switched providers in the last two years. For those who made a switch, most often the move was motivated by a search for lower premiums (60%) and better coverage (53%).

On the commercial side, 74% of buyers expect greater pricing transparency, and only 17% understand how their provider uses their data, according to New York-based data and analytics provider Advisen.[10]

Policyholders are uncertain of the value of their coverage and are switching providers and even canceling policies, elevating underinsurance concerns. Meanwhile, insurers terminate policies when they cannot accurately price risks.

As a result of this vicious cycle, the industry is in jeopardy of losing relevance. Modernization is vital to restoring trust between individuals seeking risk buffers and insurers providing financial protection.

> *"Insurability challenges are driven by underlying risks, not insurance prices. Insurers, customers, and governments must jointly confront the underlying risk drivers to increase insurance affordability and accessibility."*

Sean Kevelighan
Chief Executive Officer, Insurance Information Institute, USA

Insufficient data, legacy systems, and a lack of skilled talent hamper customer delight

Our 2024 Global Insurance Executives' survey, which included 294 insurance executives in 15 markets, identified carriers' most significant organizational constraints affecting customer delight. Among respondents, 54% cited insufficient access to data as a top challenge, 51% mentioned legacy systems, and 47% noted a lack of skilled talent. These constraints trigger four fundamental underwriting challenges:

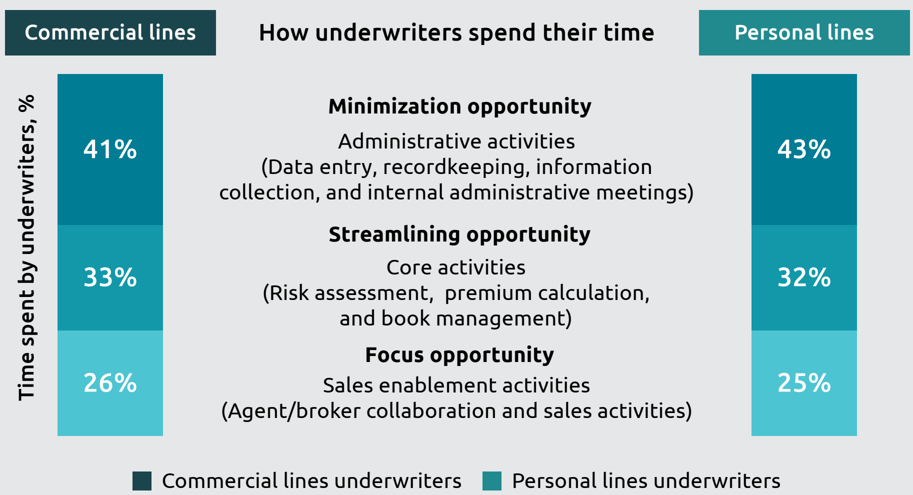
- Carriers are unprepared for today's rising claims and costs, NatCat losses, and technological innovation, all of which expose profitability risks and may lead to unattended commercial submissions.
- Limited insights and constrained analytics weaken 360-degree risk assessments, complicate portfolio management, and decrease underwriters' productivity.
- Lackluster risk mitigation capabilities inhibit insurers' ability to reduce policyholder risk exposure and boost insurability.
- Siloed underwriting operations obstruct transformation initiatives and cross-functional collaboration, causing underwriting value chain inefficiencies and limited agent/broker engagement.

Reimagine underwriting – from manual to streamlined and automated

The reimagining process begins by pinpointing how underwriters allocate their time; then, making appropriate adjustments to boost productivity. Our 2024 Global Insurance Underwriters' survey spanning 201 professionals from large commercial, small and medium enterprise commercial, and personal lines reveals three critical refocus areas for commercial and personal line underwriters (Figure 2):

- Automate administrative tasks that consume 41% - 43% of underwriters' time. Minimize activities like data entry, record keeping, and meetings.
- Streamline core underwriting tasks that take roughly 33% of underwriters' time. Insurers can augment risk assessment, premium calculation, and book management with AI-driven insights for commercial underwriters and real-time data to enhance straight-through processing for personal and small commercial lines.
- Prioritize sales enablement, which currently occupies about 26% of underwriters' time. For commercial lines and intermediated personal lines, agent/broker collaboration represents untapped value.

Figure 2. Administrative tasks take up a disproportionate amount of underwriters' time



Sources: Capgemini Research Institute for Financial Services Analysis, 2024; World Property and Casualty Insurance Report 2024 Global Insurance Underwriters' Survey (N=201)

At Salesforce, James Webb, London-based Head of P&C Insurer Solutions, said, "Underwriting expertise involves more than analyzing and pricing the next submission. It's about developing client relationships and products and steering portfolios toward long-term profitability. Better data, analytics, automation, and AI will increasingly support underwriting decision quality and speed in the near and long term." Augmented underwriting, relieved from time-consuming, laborious, and inconsistency-prone manual tasks and enabled by next-gen platforms, will allow underwriters to spend more time on deeper risk assessments and high-return sales enablement activities. Our use case illustrates transformational benefits.

Insurer reduces product time to market with next generation digital underwriting and broking platform

Business challenge: Targeting small-to-mid-size businesses and the lower/mid-commercial segment, the publicly traded US commercial and individual P&C insurer aimed to create tailored product offerings for continued growth and competitive differentiation across multiple countries. The insurer's existing IT ecosystem could not support customized products, and product launches could take more than 28 weeks.

Strategy/Implementation: The insurer engaged with Capgemini to co-design and implement a standardized and harmonized next-generation digital architecture with product modeling, underwriting, and policy administration capabilities. Built on a modular architecture separating common and product-specific functionalities, the platform enables flexible configuration and customization of broker/underwriter capabilities for different products. The implementation included variations in offerings across various countries in EMEA, with capabilities like flexible risk selection pricing, broker-specific wordings, co-branding, and white labelling.

Business results: The insurer observed reduced product time to market, from 28 weeks to 10 weeks on average – to launch more than 60 products in more than 10 countries. The solution also increased straight-through processing which resulted in a reduction in operations staff. This success demonstrates how a common broking and underwriting platform brings flexibility and speed to market along with standardization, simplification, consistency, and compliance.

Boost performance by focusing on risk assessment and workflows

Our 2024 Global Insurance Underwriters' Survey revealed organizational practices that impede underwriting performance (Figure 3). Specifically, manual processes lead to inefficiency, high workloads, and data input errors. Due to limited customer data access, inaccurate or incomplete risk assessments hinder competitive pricing strategy and development. Meanwhile, it is difficult to meet rising broker and customer expectations without the insights enabled by predictive models. Together, these interconnected data and process challenges constrain underwriters across the value chain.

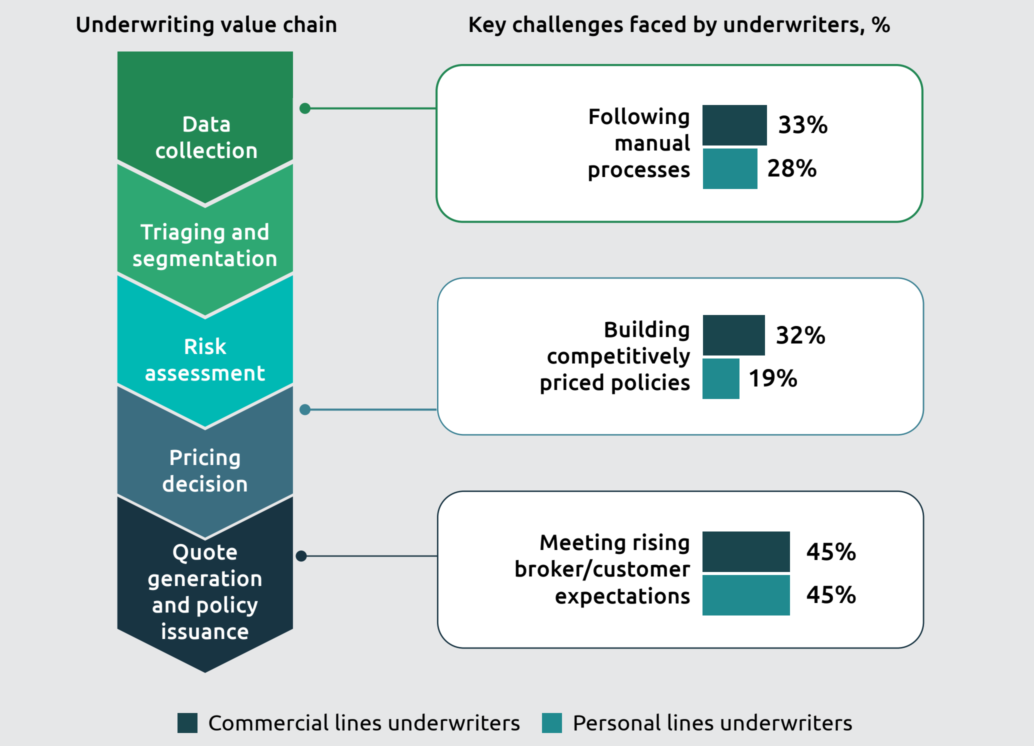
By targeting root-cause data deficiencies and legacy workflows, insurers can unlock more intelligent decision-making to drive speed, accuracy, and customer alignment.

The path forward requires connecting the data dots, unlocking actionable insights and evolving the underwriter role to augment the underwriting operating model, master risk and drive results.

"Underwriting frontrunners remain agile and achieve competitive positioning by encouraging a strong culture of collaboration and leveraging advanced technology capabilities to operationalize business opportunities swiftly"

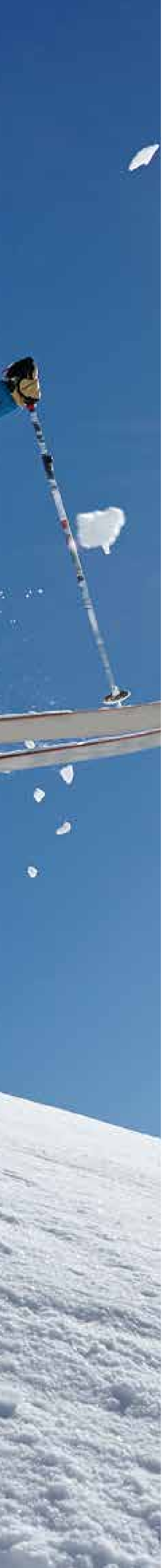
Robin Gilthorpe
Chief Executive Officer, Earnix, Israel

Figure 3. Top challenges faced by P&C underwriters



Sources: Capgemini Research Institute for Financial Services Analysis, 2024; World Property and Casualty Insurance Report 2024 Global Insurance Underwriters' Survey (N=201)

Drive profitable results with speed and accuracy



Streamline underwriting to unlock growth and profitability

As insurers seek to improve efficiency, accuracy, customer/broker experiences, and risk-aggregation controls, reevaluating business strategy is critical. Based on our research and analysis, we developed an Intelligent Underwriting Playbook to promote better underwriting results based on data, insights, and an evolved underwriter role (Figure 4).

Figure 4. Intelligent Underwriting Playbook for insurers to drive better underwriting results

Connecting the data dots	• **Deploy risk mitigation tools** to enhance policyholders' eligibility; focus on data and customer transparency	• **Blend traditional and third-party data** including general economic data, connected devices, and drones	• **Build secure ecosystem partnerships** to access data via APIs
Unlocking actionable insights	• **Pioneer predictive analytics** to ensure rate adequacy in volatile markets through human-centric AI/ML	• **Build trust in next-gen analytics** through collaborative change management and underwriter buy-in	• **Improve productivity, enhance CX, and reduce frauds** by deploying cutting-edge technology
Evolving the underwriter role	• **Optimize underwriting workbenches** to provide easy-to-use, relevant insights and automate tasks	• **Upskill underwriters** for new roles and to use innovative data sources and tools	• **Deploy underwriters** to roles in book management, sales enablement, and broker relationship building
Delivering business results	• **Drive efficiency** by reducing underwriting costs and increasing underwriting speed	• **Fuel accuracy** by boosting underwriting quality with the right eligibility and price for each risk	• **Enhance customer/broker experience** through faster and better distribution touchpoints

Source: Capgemini Research Institute for Financial Services Analysis, 2024

Scale risk mitigation to drive insurability and engage policyholders

Transformation begins by deploying risk mitigation, which requires rich customer data. Yet, 53% of our 2024 customer survey participants expressed concern about how much personal information their insurers collect.

However, insurers can take solace from the fact that 63% of policyholders say they would be willing share more data in exchange for transparency, discounts, and reassurance that their information is secure. This sentiment represents a chance to build engagement, trust, and better retention. Specifically, insurers can:

- Evolve renewal communications into meaningful and transparent conversations that explain shifts in risk profiles and educate policyholders about the potential impact on premiums.
- Guide businesses and individuals toward practices that reduce exposure, prevent disruption, and minimize future rate hikes through interactive feedback loops. These recommendations can go beyond risk mitigation and help policyholders prepare for the transition to more sustainable and climate-friendly practices that may even yield environmental, social, and governance (ESG) dividends.

For instance, an insurer could notify a homeowner that recent extreme weather events – historically unusual for the region – necessitate a premium hike. In the same communication, the carrier might outline recommendations to keep premium costs down, such as installing storm shutters or roof reinforcements.

Today, insurers that claim to have advanced interactive feedback loop capabilities are in the minority – 28% of commercial and 25% of personal lines carriers. However, among insurers that deploy such loops at scale, 90% report underwriting improvement.

Risk mitigation enhances growth, profitability, and societal value by boosting resiliency, insurance affordability, and availability. The potential to shift from episodic premium hikes to continuous risk management is strong if insurers can facilitate agile, data-enabled dialogue.

> *"A clear risk prevention proposition and premium discounts will encourage policyholders to share personal data with insurers."*

Ney Dias
Chief Executive Officer, Bradesco Auto/RE, Brazil

French multinational insurance company AXA introduced a digital commercial platform (DCP) to unify multiple services within AXA Smart Services and AXA Climate to provide risk prevention solutions, and sustainability services to serve P&C commercial clients better. The DCP optimizes real-time data and analytics from satellites, drones, and sensors. AXA aims to offer innovative and sustainable global solutions, expanding beyond traditional insurance, to provide risk assessments and prevention advice for evolving corporate client needs while simplifying the customer experience.[11]

Traditional and third-party data integration strengthen decision-making and reduce fraud

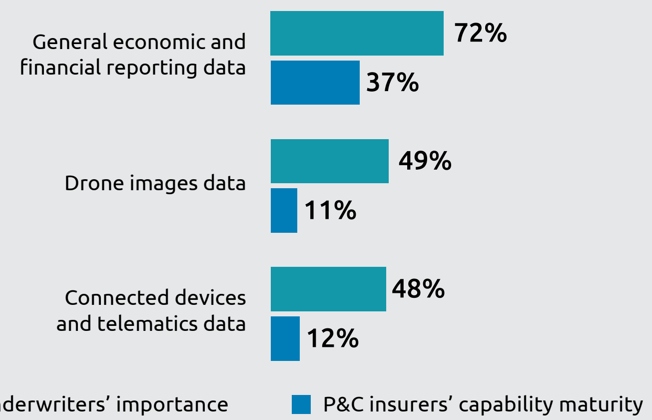
Data is critical to risk mitigation, with traditional sources such as claims' history, credit scores, and post codes as essential underwriting components. However, these sources and legacy statistical models alone cannot offer a complete view of evolving risks. The increasing frequency and severity of NatCat events, shifting climate patterns, technological changes, and global interconnectivity have introduced new dimensions that traditional underwriting models struggle to evaluate.

At Zurich Insurance Group, a small self-installed device, Zurich Insite, uses sensors to collect data from building management systems. Staff gather information from a structure's boiler and pump activity, temperature, heating systems, and frost protection and fire suppression data. Risks are managed by forecasting asset issues, early event identification, preventive maintenance, enhanced awareness for better risk placement and mitigation, and better commercial building performance.[12]

As part of our research, we asked the underwriters surveyed to outline their most valued third-party data sources. These include general economic information to help them understand financial trends influencing policyholders' stability and overall risk exposure, data from connected devices for real-time information about personal and commercial assets, and drone image data for visual documentation of property conditions. However, although underwriters highly value these third-party data sources, insurers' capabilities to obtain and utilize this data are limited (Figure 5).

Figure 5. Underwriters value third-party data sources, but insurers' capabilities are limited

Third-party data importance for underwriters versus insurers' capability maturity, %



Sources: Capgemini Research Institute for Financial Services Analysis, 2024;
World Property & Casualty Insurance Report 2024 Global Insurance Underwriters' Survey (N=201);
World Property & Casualty Insurance Report 2024 Global Insurance Executives' Survey (N=294)

The lack of data mastery can hurt an insurer's core business:

- Incomplete risk evaluation plagues 77% of insurers, restricting policyholder coverage and raising loss exposure.
- With meager insights, 73% grapple with insufficient pricing precision which prevents adequate claims coverage and eventually may threaten solvency.
- 70% say inconsistent underwriting decisions are a prevailing headache. Varying assessments of commercial assets or peril from a natural catastrophe can instigate integrity concerns.

Without the ability to collect and analyze varied data, insurers will struggle because critical functions – risk selection, pricing integrity, and reserving – rely on fragmented input, which invites adverse selection. Insurers that build an environment where data is ethically, transparently, and securely managed, shared, and utilized can overcome underwriting challenges.

"Better, more informed underwriting decisions require connecting consistent, high-quality, longitudinal data from traditional and alternative sources."

Veit Stutz
Chief Executive Officer, Allianz Spain, Spain

Start by defining strategy and governance to responsibly access, handle, and leverage data. Then, collaborate with relevant third parties to identify valuable alternative data that provides monetizable value for all parties. Finally, consider cloud migration to enable robust, data-powered models to drive insights efficiently. By following this phased approach, insurers can build a secure and responsible ecosystem that drives efficiencies and enhances underwriting quality.

Add predictive analytics to hedge against evolving risk and volatile market dynamics

The next challenge is unlocking data-driven and actionable insights through advanced and adaptable analytics. As Jim Qin, Chief Executive Officer General Insurance at Zurich Hong Kong, said, "Interpreting data is harder than sourcing it. Collaboration between underwriters and data scientists is essential for actionable insights." The journey starts by leveraging the secure data ecosystem mentioned above to retrieve third-party data seamlessly, and develop comprehensive data lakes to unlock human-centric predictive insights using AI/ML.

While 83% of insurance executives believe predictive models are very critical for underwriting's future, only 27% say their firm has advanced capabilities. These models are critical because they help to:

- Accelerate and refine risk selection from unstructured data for better insights and fraud detection;
- Pinpoint insurable risks in traditionally uninsurable geographies or asset classes by deriving granular insights from large data sets; and
- Enable superior pricing by accurately predicting potential losses.

In 2023, global professional services firm Aon partnered with AbsoluteClimo, an Asia Pacific climate data and analytics provider, to advance climate modeling and inform better decisions as organizations navigate climate-based perils. AbsoluteClimo's data, including climate forecasts for months and years ahead, informs Aon's catastrophe modeling for clients, facilitating forward-thinking underwriting and pricing strategies.[13]

However, implementing predictive models involves both technological and regulatory complexity. Insurers must collaborate with regulators to enable responsible innovation and expanded usage of accurate risk pricing models. This collaboration is essential to promote insurability and affordability while navigating market volatility.

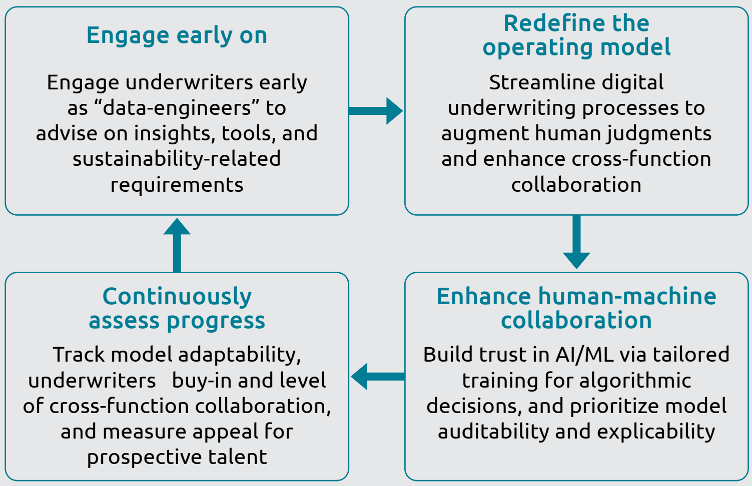
As AI models perpetuate algorithmic biases, insurability or affordability for some demographic groups may suffer. The situation raises compliance concerns because most underwriters do not fully understand algorithmic recommendations. Without regulator collaboration to encourage accountable AI adoption, worries over fairness may hamper underwriters' use of predictive models – further constraining insurers amid market challenges. Inclusive cooperation with regulators is pivotal to unlocking AI-enabled risk pricing and significant value generation, but success requires dedicated underwriter support and a robust technical foundation.

Earn underwriter votes of confidence for algorithmic insights through collaborative change management

Of our 2024 Executive Survey participants, 62% said AI/ML elevates underwriting quality and reduces fraud. Why? These technologies automate underwriting processes, enable faster policy issuance, and help identify hidden insights that can reduce manual errors and fine-tune fraud detection. However, only 43% of underwriters trust automation tools and regularly accept automated recommendations, 67% say support analytics tools are overly complex, and 59% voice data integrity concerns.

A four-step virtuous cycle that positions underwriters at the transformation center can overcome reluctance (Figure 6):

Figure 6. Change management cycle for tomorrow's underwriting transformation



Source: Capgemini Research Institute for Financial Services analysis, 2024

- Engage underwriters early on to influence the data, insights, tools, and sustainability requirements they believe will boost accuracy.
- Streamline underwriting processes with augmented human judgment and automation to redefine the operating model.
- Enhance human-machine collaboration by educating underwriters about AI/ML, explaining algorithmic decisions and prioritizing model auditability and explainability.
- Assess progress continuously around model adaptability, underwriter buy-in, cross-functional collaboration, and appeal to prospective talent.

> *Building underwriters' trust in AI adoption requires transparency on algorithmic recommendations and addressing data accuracy concerns."*
>
> **Ludovic Sénécaut**
> Chief Executive Officer, MS Amlin Insurance SE, Belgium

By securing underwriters' buy-in and laying the technological foundation, insurers can accelerate results, enabling growth and increasing speed to market as outlined in the use case below.

Multi-line P&C insurer redesigned its operating model to quickly sense and respond to changing market dynamics.

Business challenge: A US-based insurer was facing profitability issues and relatively slow speed to market which led to a loss of market share and revenue. They needed an underwriting operating model consistent with an optimized product portfolio designed to return the business to profitability targets.

Strategy/Implementation: The insurer worked with Capgemini to enable the organization's digital transformation. They comprehensively assessed and redesigned their operating models under the direction of their Chief Underwriting Officer, leading to optimized use of its emerging enterprise analytical platform and capabilities. Benchmarking of competitors in the concerned market drove alignment and resourcing. The insurer then worked towards bridging the gap between its current and target states.

Business results: With the redesigned operating model, the insurer aimed at achieving a topline growth of 15%, bottom line growth of USD 150 million, and a 200% increase in speed to market.

Shift from tech investments for underwriters to tech investments with underwriters

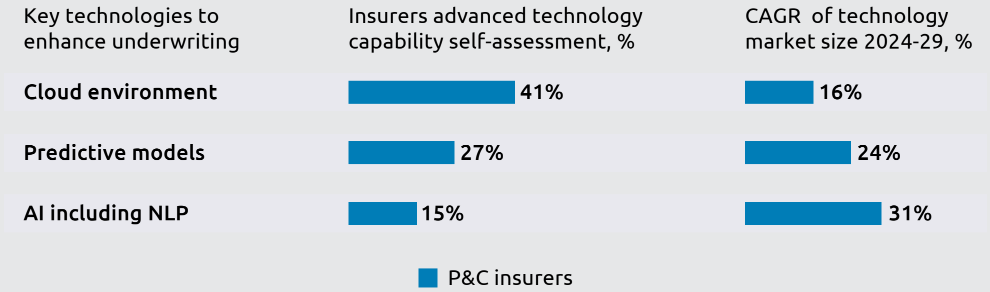
Once underwriter buy-in is secured, the next step is laying the technological foundation to prove transformation commitment. Unfortunately, the technological maturity of many insurers to support underwriters is limited, especially for technologies projected for fast growth (Figure 7). Limited maturity restricts underwriting progress in critical areas, including:

- **Productivity:** AI/ML, including natural language processing (NLP), drives insights and automates repetitive tasks, while a mature cloud environment enables seamless data access. However, recent progress in 2022 and 2023 has been lackluster, with only 51% of underwriters reducing their data entry workload, 42% generating quotes faster, and 33% experiencing increased access to real-time data.
- **Customer experience:** AI/ML and predictive models streamline underwriting, helping to price risk accurately and offer actionable recommendations to reduce policyholders' risk exposure. Yet headway is slow, with only 43% of underwriters enhancing policyholder trust, 35% saying their personalized recommendations have improved, and 35% gaining a better understanding of risk.
- **Discipline:** A lack of mature cloud and predictive model capabilities hinders underwriters' ability to evaluate risks methodically through rich data and unique insights. Progress is underwhelming, with only about half (53%) of underwriters reporting enhanced data-sharing security, 37% strengthening auditability, and 28% advancing early fraud detection.

Those with mature technology capabilities reap benefits. For example, Munich-based Allianz leverages an AI-driven risk processing tool from London InsurTech Cytora to boost risk assessment and streamline underwriting. This helps to reduce operational risk, boost customer service, and improve pricing accuracy. The technology accelerates data analysis, identifies intricate patterns, and enhances precision by relying on empirical data versus subjective judgment.[14]

From the UK, EIS Chief Strategy Officer Rory Yates said, "Advancing underwriting requires sourcing relevant data and critically extracting actionable insights across the policy lifecycle through interconnected systems."

Figure 7. Insurers' tech maturity is inversely proportional to the speed of tech growth



Sources: Capgemini Research Institute for Financial Services Analysis, 2024; World Property & Casualty Insurance Report 2024 Global Insurance Executives' Survey (N=294); Mordor Intelligence

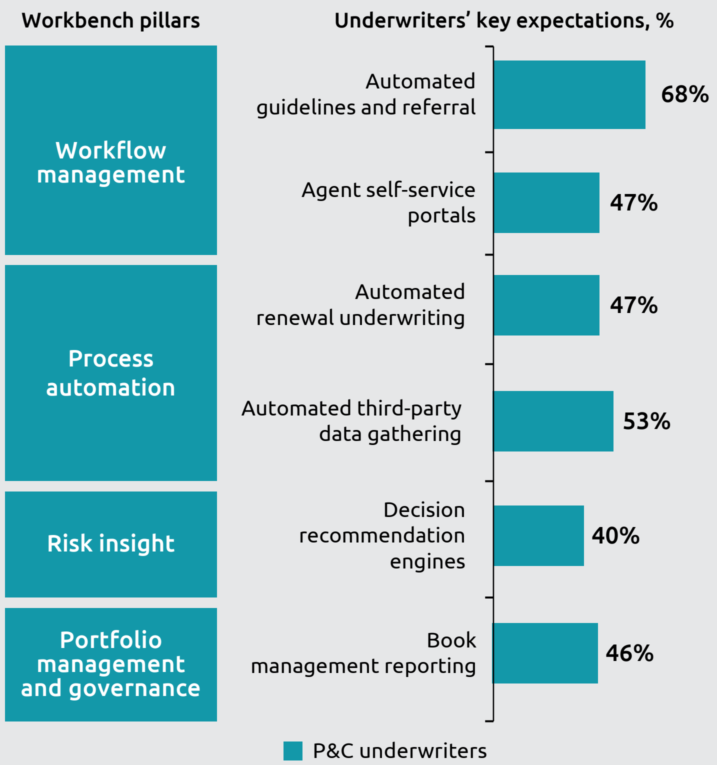
Digital workbenches can help evolve the underwriter role and boost productivity, CX, and discipline

Accelerating technology adoption is critical to empowering underwriters to work more effectively. A key opportunity for commercial lines is to deploy digital workbenches to leverage tech-generated insights that boost productivity, discipline, and customer experience. These workbenches can help reduce underwriters' workload, streamline processes, and improve risk assessment, particularly on the commercial side. Workbench pillars include workflow management, process automation, risk insight, and portfolio management and governance. Each addresses primary underwriter expectations (Figure 8):

- Workflow management helps automate guidelines and referrals, pre-populates documents, and personalizes agent portals
- Process automation can handle policy renewal reminders and seamlessly consolidate third-party data
- Risk insight enables decision recommendation engines that keep the underwriter in the driver's seat
- Portfolio management and governance support book reporting, stress test scenario modeling, and auditability.

A modern digital workbench also helps to standardize underwriting rules and quickly roll out updates. Doug Stitzer, the Global Industry Market Leader for Insurance at Pegasystems, US, said, "Insurers that develop underwriting workbenches build a foundation for the future that can integrate various data sources and leverage enterprise-level AI to augment underwriters' expertise with tech-driven insights and recommendations."

Figure 8. Digital workbenches help meet underwriters' key expectations



Sources: Capgemini Research Institute for Financial Services Analysis, 2024; World Property & Casualty Insurance Report 2024 Global Insurance Underwriters' Survey (N=201)

Underwriters who use digital workbenches say productivity has improved thanks to streamlined workflows and discipline through efficient document management. Similarly, customer experience is on the upswing due to risk assessment improvements. A digital workbench puts relevant insights at underwriters' fingertips to automate manual tasks – sparking growth, efficiency, and superior customer experience. For example, New York InsurTech Planck, a global provider of commercial insurance platforms, launched the AI-powered underwriting tool Planck PLUS in 2023 to combine strategic insights and proprietary machine-learning models. It generates queries based on underwriter input and provides tailored recommendations to ensure data privacy and reduce errors.[15]

Empowered underwriters drive collaboration and business impact

Enriched data, actionable insights, and digital tools will help insurers evolve the underwriter's role in three ways:

- Automation will eliminate repetitive manual tasks, and digital tools will help build enhanced insights
- Underwriters will spend more time on higher-value work, assessing complex risks and making augmented human judgments that leverage machine learning models while retaining decision authority
- Underwriters will increasingly be involved in book management, broker relationships, and product development consulting.

Transformation unlocks valuable new opportunities to deploy underwriter expertise. With less time devoted to administrative tasks, underwriters can analyze books of business thoroughly; deeper insights into portfolio trends will bolster underwriting decisions. Meanwhile, understanding product performance gaps in granular detail can empower underwriters to provide targeted feedback. Advising product developers and actuaries on real-world effectiveness can influence the next generation of innovations, catalyzing a virtuous cycle where underwriters power smart technology, and vice-versa.

> *The integration of human and AI insights using an array of platforms, predictive models, and visualization tools can help modern underwriters deliver more efficient and accurate risk assessments.*
>
> **Massimo Cavadini**
> Global Leader of Insurance Solutions, Munich Re, Germany

Underwriters will require in-depth product knowledge, enhanced data analytics, and risk management skills – particularly the ability to trust and interpret insights from AI and understand trends within client industries. These changes will reshape underwriter priorities. Human expertise, judgment, and oversight will remain essential, but the focus will shift to handling exceptions, ensuring responsible use of customers' data, and internal and external collaboration.

On the commercial side, reimagining will begin by minimizing administrative tasks. Underwriters will streamline core activities through human-centric digital augmentation and bolster complex risk assessment with AI to drive accuracy and faster decisions. They will also improve conversion rates by providing more immediate responses and spending more time building broker relationships and intimacy.

Personal line transformation will aim to fully automate assessments to enhance throughput and focus more on portfolio management. For intermediated businesses, the goal will be to fuel intermediary efficiency and boost client interactions.

The future lies in combining human expertise and oversight with technological capabilities to catalyze fast, unbiased, and more predictive underwriting that drives efficiency and enhances accuracy, customer/broker experiences, and risk aggregation controls.

Underwriting transformation delivers powerful business results

Underwriting trailblazers exhibit stand-out capabilities

Driving tangible business results is the ultimate goal of this transformation and is the last stage of the four-step playbook referenced earlier. Insurers that connect the data dots, unlock actionable insights, and evolve the underwriter's role drive efficiency, fuel accuracy, and enhance the customer/broker experience. Although some carriers show promise in these areas, not many insurers successfully deliver fast, unbiased, and forward-looking underwriting decisions.

We estimate that only 8% of P&C insurers are underwriting trailblazers actively providing automated, data-driven recommendations or decisions.

Trailblazers use advanced technology to integrate third-party and traditional data. They also position underwriters at the heart of internal collaboration and customer transparency. They demonstrate superior capabilities across our Intelligent Underwriting Playbook by:

- **Connecting the data dots:** 100% deploy risk mitigation at scale versus 67% of mainstream insurers. And 70% of trailblazers systematically integrate third-party data with traditional data, compared with only 12% of more typical carriers.
- **Unlocking actionable insights:** 96% of trailblazer insurers earn underwriters' adoption of innovative insights capability versus 67% of mainstream insurers. 57% of trailblazers pioneer predictive analytics versus only 25% of conventional carriers.
- **Evolving the underwriter role:** 78% of trailblazers aim to deploy underwriters as sales enablers, compared with 36% of mainstream insurers. 65% have mature, optimized underwriting workbenches compared with 19% of typical carriers.

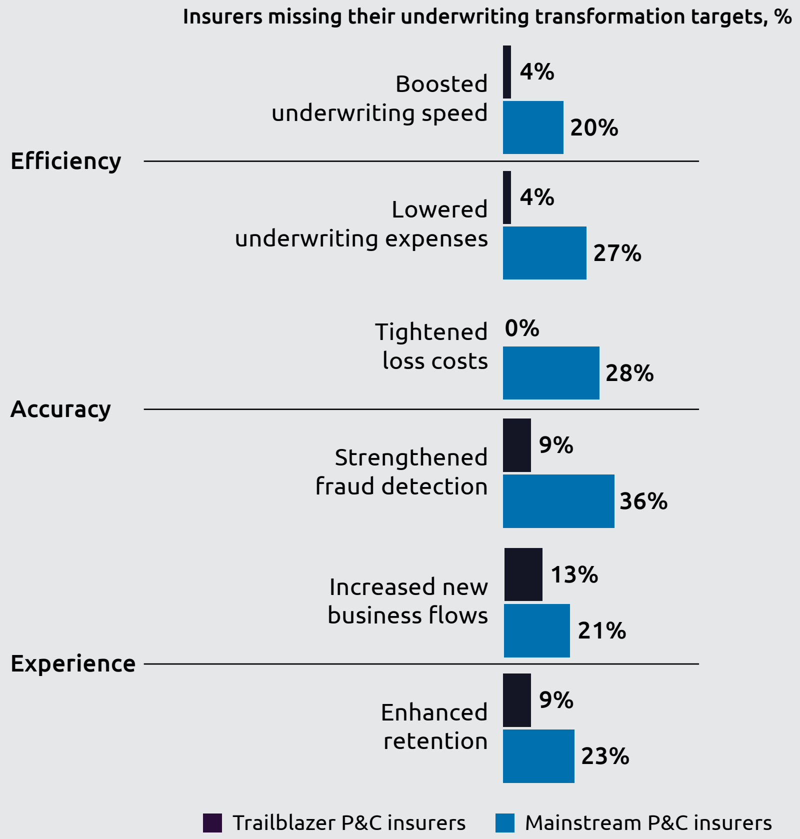
> “*To achieve successful underwriting transformation, insurers can look to best practices of cloud-first trailblazers to support innovation. By leveraging flexible cloud platforms and incorporating GEN AI and ML, insurers can accelerate and automate underwriting processes and deliver insightful, fast, and fair underwriting decisions to their customers.*”

Ralph Severini
Global Leader Insurance Alliances,
Amazon Web Services, USA

Advanced capabilities unlock profit-boosting benefits

Trailblazers turn advanced underwriting capabilities into tangible benefits, and they rarely miss business targets for efficiency, accuracy, and customer/broker experience – significantly outpacing conventional insurers (Figure 9).

Figure 9. Trailblazers lead with superior efficiency, accuracy, and customer/broker experience



Sources: Capgemini Research Institute for Financial Services Analysis, 2024; World Property & Casualty Insurance Report 2024 Global Insurance Executives' Survey (N=294)

- Trailblazers meet and exceed their efficiency goals to boost underwriting speed and lower underwriting expenses. The results? Market advantage is fueled by better turnaround times and reduced costs.
- Trailblazers rarely miss accuracy goals for loss costs and fraud detection. High accuracy empowers tight control over claims payouts and fraudulent claims that directly impact profits.
- Finally, trailblazers meet or exceed customer experience (CX) goals, such as new business and policyholder retention, thanks to underwriter speed that ignites topline growth among existing clients and revenue from new business.

Underwriting transformation can catalyze a variety of high-impact benefits, as highlighted in our case study.

Digital underwriting and broking platform modernizes builder's risk, boosting efficiency and growth.

Business challenge: A large global insurer's growth was hampered by an outdated, legacy Excel-based builder's risk pricing tool with limited flexibility and scalability. They faced many errors and slowdowns in the pricing process due to the manual nature of work. Furthermore, the insurer found accommodating diverse project types and coverage needs challenging.

Strategy/Implementation: The insurer worked with Capgemini to develop a modern platform to drive growth and streamline pricing, rating, and policy servicing for builder's risk coverage. The platform automated the pricing business rules, synced deductibles and limits, integrated multiple downstream systems, and leveraged data-driven insights for comprehensive reporting. The insurer then worked toward increasing the number of builder's risk product options for customers and enhancing the tool's versatility.

Business results: The solution helped the insurer drive growth by attracting new clients through flexible product offerings. The insurer also increased efficiency by automating 340+ forms for quotes, cancellations, and endorsements, eliminating manual errors and reducing operational costs. The increased efficiency helped the insurer improve customer experience with faster turnaround times and streamlined processes, facilitating better risk management for informed decision-making and pricing.

Focus on actionable priorities

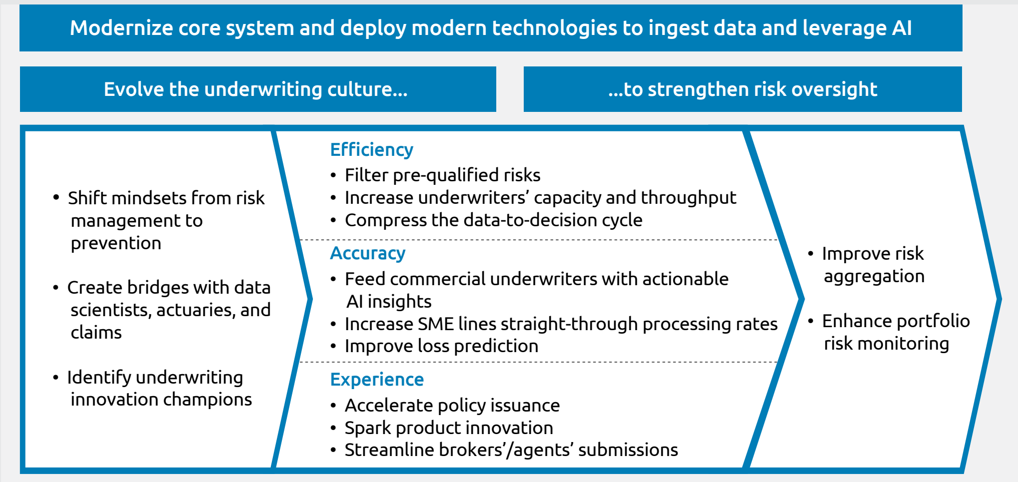
Modern core systems and advanced technology are the foundation of transformation, enabling insurers to ingest diverse data and power AI (Figure 10). Insurers can leverage this robust foundation to optimize their underwriting culture through behavioral change through the following steps:

- Shift mindsets from risk management to prevention by focusing on loss costs.
- Encourage collaboration between underwriters, data scientists, actuaries, and claims handlers to align risk models and insights.
- Identify underwriting innovation champions to spearhead the adoption of new capabilities.

Cultural evolution enables the progression of pivotal goals across efficiency, accuracy, and a superior customer experience:

- Prequalification filters out simple risks or those not meeting underwriting criteria before they reach the underwriter. This process frees underwriters to focus on the best and most complex risks, such as those related to niche industries or emerging technologies that drive efficiency. Additionally, AI increases underwriter capacity and throughput and compresses the data-to-decision cycle through better insights.
- Equipping underwriters with AI-generated insights is crucial to elevating models' loss prediction accuracy. For commercial underwriters, quick access to actionable and self-explanatory AI insights can provide more time for human judgment. Better models can also help replicate personal-line automation success for small to mid-size enterprise portfolios and increase straight-through processing rates.

Figure 10. Actionable priorities focus on efficiency, accuracy, and customer experience



Source: Capgemini Research Institute for Financial Services Analysis, 2024

- An exceptional customer experience enables faster policy issuance, which boosts conversion rates and loyalty. Consideration of underwriter market insights encourages product innovation and streamlines submissions via API-enabled platforms.

These steps can strengthen risk oversight and bolster risk aggregation. Digital tools enable fast underwriting guideline updates to avoid, mitigate, and minimize risk accumulation and assess severe loss scenarios. Portfolio risk monitoring improves by extracting actionable insights from data to spot emerging risk trends quickly and make decisions across an entire book of business.

We suggest chief underwriting officers upgrade their foundational IT systems to capture data more effectively to power AI insights. Then, accelerate automation and modernization across the underwriting value chain to enable accurate, scalable, fast, and better underwriting recommendations. A phased, data-driven approach can transform underwriting while unlocking profitable growth.

"The first actionable underwriting transformation step is business simplification. Reducing process and technology complexity drives cost out of the core while providing greater agility and more usable data for rapid-cycle continuous improvement."

Peter Settel
Enterprise Chief Strategy and Technology Officer, American Family Insurance, USA

Conclusion

Reimagining underwriting to achieve business profitability and growth goals hinges on a transformational focus on efficiency, accuracy, and experience. Because comprehensive change across underwriting operations may seem daunting, insurers should pragmatically focus first on high-impact areas.

While your methodology may have familiar building blocks, crafting a transformation roadmap specific to underwriting's possibilities and constraints is essential. The key milestones in this roadmap are:

- Shape a flexible vision to adapt to dynamic risk landscapes and recalibrate risk appetite faster through risk aggregation assessments augmented with external data and predictive AI. Secure organizational buy-in.
- Outline a digital roadmap to modernize core systems and workbenches to ingest data and power AI. Redesign the underwriting operating model through advanced insights to enhance rates and eligibility. Build dynamic authority levels to align with predictive insights and up-to-date portfolio conditions.
- Navigate operational and system trade-offs through modular designs that adapt to an ever-changing, volatile environment. Encourage behavioral change by tying compensation to the adoption of new capabilities.

Bringing this transformation to life will require building a business case that clearly defines return on investment (ROI) and improves combined ratios by including revenue goals driven by enhanced data delivery and faster agent and broker turnaround; incorporating cost-optimization opportunities realized through better insights, underwriting automation, and reduced error rates; and embedding risk mitigation propositions that enhance eligibility, risk selection, and pricing accuracy.

Become an industry trailblazer. Begin executing now by leveraging advanced technologies to deliver superior risk management, drive underwriting profitability, and unlock business growth.

Methodology

The World Property and Casualty Insurance Report 2024 draws data from three primary sources: the 2024 Global Voice of the Customer Survey, the 2024 Global Insurance Executives' Survey, and the 2024 Global Insurance Underwriters' Survey. This primary research covers insights from 18 markets: Australia, Belgium, Brazil, Canada, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, the United Kingdom, and the United States.

2024 Global Voice of the Customer Survey

Our comprehensive Voice of the Customer Survey, administered in January and February of 2024 in collaboration with Phronesis Partners, polled 3,323 P&C insurance customers in 16 countries. These markets represent all three regions of the globe – the Americas (the United States, Canada, and Brazil), Europe (Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom), and Asia-Pacific (Australia, Hong Kong, India, and Japan).

2024 Global Insurance Executives' Survey

The report also includes insights from interviews with 294 senior insurance executives of leading P&C insurance companies across 15 markets. These markets represent all three regions of the globe – the Americas (the United States, Canada, and Brazil), Europe (Belgium, France, Germany, Italy, the Netherlands, Norway, Sweden, Portugal, Spain, and the United Kingdom), and Asia (Hong Kong and India).

2024 Global Insurance Underwriters' Survey

The report also includes insights from interviews with more than 201 leading P&C insurance company underwriters across seven markets. These markets represent all three regions of the globe – the Americas (the United States and Canada), Europe (Belgium, France, Germany, and the United Kingdom), and Asia (India).

Insurers' maturity

In the report, we calculated each firm's underwriting maturity (trailblazers versus mainstream insurers) based on:

- Third-party data capabilities, on a scale comprised of not relevant, basic, moderate, and advanced capabilities. Third-party data sources included telematics data, drone image data, connected devices data, remote monitoring satellite data, general economic data, financial reporting data, and social media data.
- Technology capabilities, on a scale comprised of no capabilities, basic, moderate, and advanced capabilities. Technologies included AI/ML, NLP, probabilistic and predictive models, cloud, digital twins, and digital underwriting platforms.
- Levels of collaboration with other internal teams, on a scale comprised of low, moderate, and high collaboration. Internal teams included claims, sales, policy issuance, product, IT, and customer service.
- Levels of automation across different business lines, on a scale comprised of fully manual, partially automated, moderately automated, and highly automated.
- Whether the insurer provided their customers with transparency using interactive feedback loops.

Our analysis indicated that the top 8% of firms (trailblazers) are leading underwriting transformation initiatives and are reaping related benefits.

Partner with Capgemini

The key imperatives for empowering underwriters to evolve and perform their role efficiently are:

- Improving risk assessment, by embedding decision support insights from enriched internal and external data sources, to accurately underwrite policies
- Continuously refining and monitoring their overall book and capacity through real-time availability of portfolio data with better analytics and insights
- Reducing manual, time-consuming, and non-value-adding tasks to free up the underwriter to focus on relationship-building and sales
- Facilitating collaboration between underwriters and agents/brokers to increase conversion rates and premiums.

Capgemini will help insurers transform their underwriting function by leveraging enriched risk and ESG insights to make the process efficient, resilient, and accurate. Our solutions, crafted with inputs from industry experts and built on the back of our extensive experience, will help insurers:

Fuel accurate risk assessment

- Intelligent Location: Improve accuracy in risk assessment through enriched decision-support analytics with risk/portfolio insights. By using a strong data foundation and explainable models, we create a centralized location data hub with granular location risk profiles. This is done by leveraging structured and unstructured external data from curated vendors, risk indicators, etc., to enable near real-time risk profile assessment.
- GenAI for Professional Liability Pricing: Using AI and LLMs, track company disclosures and advise on disclosure risks. With our customizable AI solution integrated with predictive modeling, insurers harness predictive power beyond the capability of what directors and officers (D&O) underwriters know about the company. Our models are trained with securities class action litigation settlements and show a statistically significant correlation with D&O losses' frequency and severity.

Enable efficient risk assessment

- Underwriter's Workbench: Transform the underwriting function by reducing workflow and the data and documents burden on underwriters through streamlined workflows. With quick access to required data on an intuitive workbench, we provide a single pane-of-glass view for underwriters. By leveraging automation/GenAI, free up underwriters to focus on easing collaboration with brokers leading to increased conversion and optimized underwriting results.
- Modern Rating Engine: Dynamic pricing is becoming a critical component to acquiring and retaining customers. Our Earnix platform integration offering positions your organization to modernize your pricing strategy quickly and effectively. Transform your pricing analytics development and deployment value chain to improve speed to market.

Drive effective book management

- Portfolio Risk Management Solution: Generate deeper book/portfolio management analytics for sustained improvement in underwriting results with our portfolio risk management solution. Easily understand the current book and exposure capacity, and granularly analyze where overexposures need to be addressed and underwriting guidelines need to be updated based on near real-time portfolio insights.

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Acknowledgments

We offer special thanks to the insurers, ecosystem partners, and industry experts who contributed their valuable time during the World Property and Casualty Insurance Report Executives' Survey, Voice of the Customer Survey, and Underwriters' Survey.

We appreciate the expertise of participating firms: AG Insurance, Ageas Portugal, Allianz Commercial, Allianz Partners, Allianz Seguros, Allianz Spain, Amazon Web Services, American Family Insurance Company, AXA Partners, AXA Seguros Brasil, AXA Seguros España, Baloise, BBVA Allianz Seguros, BDM, Belfius Insurance, BNP Paribas Cardif, Bradesco Auto/RE, Brasilseg Companhia de Seguros, CA Seguros, S.A, Crawford & Company, Credit Agricole Assurances, Darwin Seguros, Earnix, EIS, Ethias N.V., Euromex, Federale Verzekering/ Assurance, Fidelidade, Fremtind Forsikring AS, Generali Global Corporate and Commercial, Generali Italia S.p.A., Gothaer Allgemeine Versicherung AG, Groep P&V, HDI Global SE, HDI Seguros, Helvetia Assicurazioni, Insurance Information Institute, KBC Verzekeringen NV, Lemonade, Liberty Global Risk Solutions International, MAPFRE, MS Amlin Insurance SE, Munich Re, MunichRe Specialty Insurance, NN Non-Life Belgium Branch, Pegasystems, Pier Seguradora, Porto Seguro, QBE, Reale Mutua, Salesforce, Santalucía, SegurCaixa Adeslas, Seguros Sura, Sompo Seguros, State Farm, Storebrand Forsikring AS, Swiss RE Corporate Solutions Brasil Seguros The Auto Club Group, Tryg, Tryg Forsikring AS, Unipol Gruppo S.p.a, United States Automobile Association (USAA), Victoria Seguros S.A., Wawanesa Insurance, Willis Towers Watson GmbH, Zurich, Zurich Hong Kong, Zurich Insurance Europe AG Sucursal en España, Zurich Portugal, Zurich Seguradora.

We recognize the following teams and individuals for analysis, composition, and production:

Capgemini Research Institute for Financial Services: Arijit Goswami, Shaik Arbazuddin, Sukanya Sen, and Swati Goswami for providing in-depth market analysis. Tamara Berry for editorial guidance and content oversight and Dinesh Dhandapani Dhesigan for graphical interpretation and design.

Capgemini Sponsorship Committee: Adam Denninger, Ajish Gopan, Jonathan Walters, Kelly Reisling, Kiran Boosam, Nicolas Famy, Romain Caillet.

Capgemini's global insurance network: Alberto Juárez Maíllo, Alexander Pusch, Amit Gupta, Anand Joshi, Andreas Kahl, Antonio Luis Nuñez Pitera, Apoorva Prakash, Arun Aadur Pugazhenthi, Aruna Mahesh, Aurelio Abad Garcia, Biju George, Carlos Zavala, Cecilie Vatn, Chinni Kumar Sakshi, Chris Bassett, Cyril Francois, Divyaang Mittal, Ewout Bouwman, Gunnar Tacke, Gustavo Leanca, Hocine Ait Bekkou, Hugo Oliveira, Ian Campos, Ian Craney, Jan Verlinden, Jimut Basa, Joachim Rawolle, Jordi Valls Ribas, Juanjo Macias Perez, Keith Gage, Kent Ho, Kristofer le Sage de Fontenay, Laura Magalhães, Leena Joshi, Lisa Orme, Maria Teresa Martin Gimeno, Matteo Bonati, Patricia Boydens, Peter Kuijvenhoven, Pierre-Olivier Bouee, Pradeep Singh, Pramod Batra, Prashant Shastri, R Kartik, Radhika Gajendra, Rakesh Singh, Rebekka Iqbal, Robin Spaulding, Shane Cassidy, Sharodiya Roy, Shinichi Tonomura, Shrinivas Shikhare, Simi Pillai, Thierry Loras, Tim Dwyer, Troy Awsumb, Vijaydeep Singh, Virendra Singh, Wendy Williamson.

Marketing: Laura Breslaw, Meghala Nair, Jyoti Goyal, David Merrill, Swathi Raghavarapu, Fahd Pasha, Manasi Sakpal, Anthony Tourville, Manisha Singh, Vamsi Krishna Garre, and Pranoti Kulkarni for their overall marketing support for the report; and the Creative Services Team: Pravin Kimbahune, Balaswamy Lingeshwar, and Anupriya Andhorikar for report production.

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