Digital Modernization
in the Insurance Industry

HOW TO DRIVE PROGRESS IN YOUR ORGANIZATION

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Introduction

In a rapidly-evolving digital landscape, insurers must adapt to remain competitive and relevant. Our report offers a clear-eyed view of this transformation, backed by insights from industry leaders. It captures the critical developments and emerging strategies that are setting the pace for the future.

Key areas covered include the emergence of new technologies, the integration of data and analytics into decision-making and the shift towards more agile business practices. This report not only charts where the industry is heading but also provides practical guidance for those ready to take the next steps on their digital journey.

We partnered with London Research to survey 200 global insurance executives across a range of providers — including commercial and consumer lines — to better understand the problems insurers are up against.

Join us as we explore the essential shifts that will define the next generation of insurance excellence. What we found was surprising.

Legacy Technology Remains the Biggest Hindrance to Progress

The single greatest barrier to the adoption of digital tools and new ways of working among insurance companies is their legacy technology systems and infrastructure. It's a major barrier for almost half (45%) of the companies surveyed.

Over a third of respondents (39%) say this legacy technology is slowing innovation and change across the business, and a similar proportion (34%) say it's stopping them from getting new products and services to market quickly.

This has been a challenge across the industry — regardless of market, class and geography — and, despite significant progress on technology adoption, it remains the biggest drag factor for insurers.

AI Is Making Waves - but Are Insurers Ready to Adopt It?

Almost three out of five respondents (57%) said that recent advances in AI and machine learning are already having a significant impact on their businesses. A third also see this as the technology that will have the biggest effect on business in the next five years, the single most popular choice.

It's unsurprising executives feel this way given the benefits AI offers. With hundreds of use cases to choose from, it's applicable across lines, departments and the entire value chain.

- **General insurance:** AI can deliver highly-automated, personalized and engaging consumer lines service through advanced chatbots. It's even showing significant promise in speeding up First Notice of Loss (FNOL) processing, fraud detection, claims estimating, seamless repair and resolution handling.

- **Commercial insurance:** For simple risks, AI will drive auto-follow and auto-lead opportunities for Lloyd's syndicates. For more complex risks, it will augment and better support the underwriter with faster data navigation, highlighting prioritized data points and providing insights and observations, recommendations and automated actions.

- **More generally:** AI will enable advanced information processing, from understanding and auto-actioning of emails to further advancing submission ingestion for faster triage and clearance, to wider analysis of schedules for better exposure management. This will also allow businesses to more widely link in external data from IoT and a growing number of other sources.

However, these newer capabilities can only start their journey with the right access to the business's data and the necessary supporting infrastructure.

Executives Understand the Value of Technology Enablement, but Investment Is Slow to Follow

The picture that emerges in this report is of an industry that recognizes at the executive level that it needs to further evolve how it embraces technology, but hasn't yet increased the funding in-line to do so. This implies that the potential value technology can add to the business is not being realized, which in turn will further restrict technology funding.

Legacy replacement is often massively disruptive for an organization, and insurers often lack a burning platform for that level of change. From a cultural perspective, they also haven't been able to widely embrace Fail Fast or Test and Learn, as typically executive sponsors have not seen the benefits and often regard it as pure failure. It's complex.

As Natasha Davydova, CIO of AXA, put it when interviewed for the report: *"You need to think about the economic value of IT not just in terms of simple cost reduction, but of how it makes your company more competitive; more attractive to customers; how it makes your data more transparent; and how you can use data to create value through the use of technology, etc. For example, it is a challenge to find a positive business case for the cloud as a pure technology project. It becomes a positive business case when you look at the impact on the business, at whether it allows you to make things more efficient and effective on the business side, whether it allows the businesses to grow faster or provides products to the customers quicker in response to the changing demand."*

02

Findings

Finding 1: Legacy Technology Is Holding Insurers Back

A full 45% of our executives agree: The single greatest barrier to the adoption of digital tools and new ways of working among insurance companies is legacy technology infrastructure.
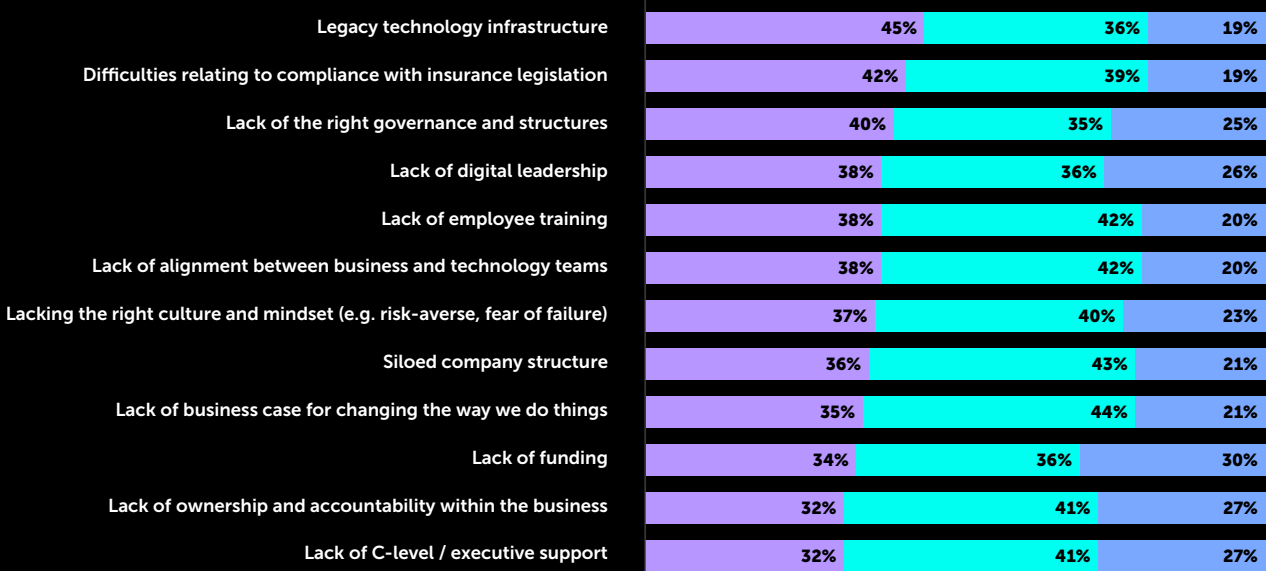
"Like many insurers we have a number of legacy systems including a monolithic policy administration system, that we need to modernize and break down in order to better leverage data and provide the digital journeys that colleagues, customers and partners are looking for. A well-designed componentized architecture will also enable us to increase throughput and speed of change, as well as being easier to build out an API layer that enables easy partner integration." — **Ian Wrigglesworth, CTO, Hiscox UK.**

It's not only the tech that is holding companies back, however, it's also the structural issues. These include the absence of digital leadership (cited as a major problem by 38%), a lack of alignment between business and IT (also 38%), a lack of a business case for changing the way things are done (35%), lack of funding (34%) and lack of executive support (32%).

FIGURE 1

To what extent do you regard the following as barriers to the adoption of digital tools and new ways of working?

■ Major barrier ■ Minor barrier ■ Not a barrier

Barrier	Major barrier	Minor barrier	Not a barrier
Legacy technology infrastructure	45%	36%	19%
Difficulties relating to compliance with insurance legislation	42%	39%	19%
Lack of the right governance and structures	40%	35%	25%
Lack of digital leadership	38%	36%	26%
Lack of employee training	38%	42%	20%
Lack of alignment between business and technology teams	38%	42%	20%
Lacking the right culture and mindset (e.g. risk-averse, fear of failure)	37%	40%	23%
Siloed company structure	36%	43%	21%
Lack of business case for changing the way we do things	35%	44%	21%
Lack of funding	34%	36%	30%
Lack of ownership and accountability within the business	32%	41%	27%
Lack of C-level / executive support	32%	41%	27%

Additionally, over a third of respondents (39%) say legacy technology is slowing innovation and change across the business, and a similar proportion (34%) say it's stopping them getting new products, services and partnerships to market more quickly. Particularly noteworthy is that a third (35%) say it's impacting the quality of their customer experience, and a quarter (24%) say they can't service their customer/partner channels as they'd like.

"When it comes to managing legacy technology versus creating new software and platforms, there isn't an exciting answer. There's just the constant need to prioritize a constrained technology investment budget. What has changed is that, in the old days, a lot of system upgrades were driven by the desire to save cost and reduce risk. That is still absolutely part of the question set, but now we're also asking if we're being constrained by this legacy in terms of being able to make data-driven decisions. So a system that only updated every two or three days might have been fine when it was developed. But now, if you're trying to have data-driven decision making, then the impetus to upgrade that legacy system has changed. Leaders are absolutely looking at the cost side and the risk side as they always have, but increasingly at the business enablement side as well." — **Paolo Cuomo, Executive Director, Gallagher Re.**

FIGURE 2

What impact does legacy technology have on your business?

It's slowing innovation and change across our business	39%
The external customer experience is poor	35%
We can't get new products to market quickly	34%
It is close to or beyond its end of life support	31%
It's generally frustrating	29%
We can't service our customer / partner channels as we'd like	24%
The internal customer experience is poor	24%
None of the above - legacy technology continues to serve us well	17%

FIGURE 3

Which statement best describes your strategy to deal with the issue of legacy technology?

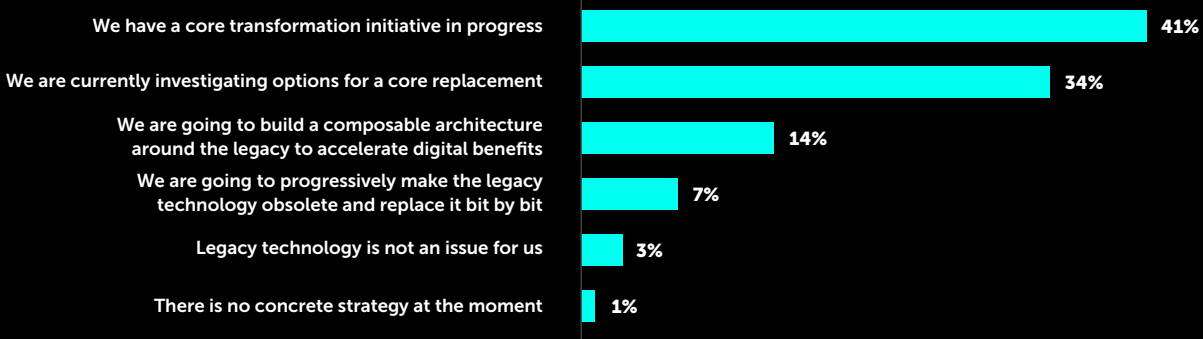|	
We have a core transformation initiative in progress	41%
We are currently investigating options for a core replacement	34%
We are going to build a composable architecture around the legacy to accelerate digital benefits	14%
We are going to progressively make the legacy technology obsolete and replace it bit by bit	7%
Legacy technology is not an issue for us	3%
There is no concrete strategy at the moment	1%

Figure 4 examines what's holding companies back in this drive to update or replace legacy technologies. The unavoidable conclusion is that the business case is still not sufficiently established or understood.

Partly this can be put down to culture. Insurance is traditionally risk-averse. In commercial insurance, it is also a matter of how business was conducted historically, and is still the preference in many cases today: face-to-face rather than via computer systems.
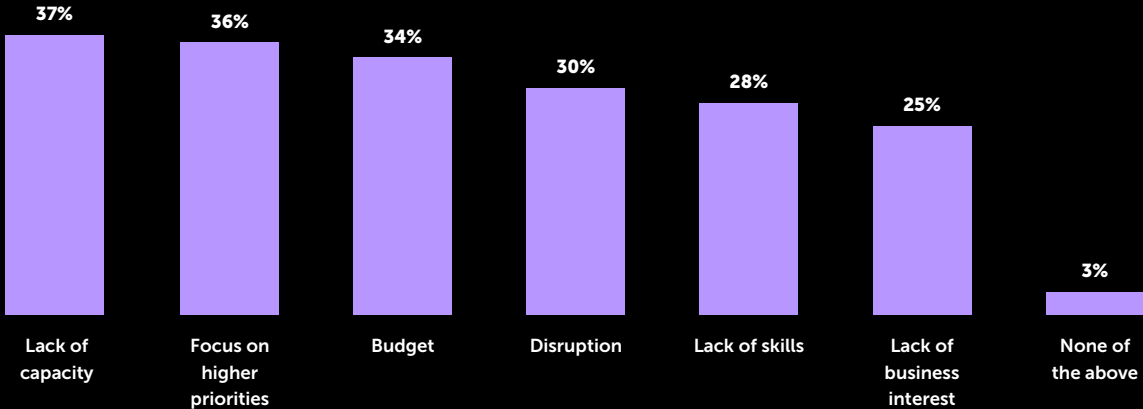
"There are a lot of senior people who have grown up in a world where relationships and face-to-face interactions were at the heart of how they worked. And that was not just face-to-face transacting but it was face-to-face over lunch, etc. That wasn't a bad thing, that was the heart of why they loved their job. And therefore, without people realizing it, there was a natural reluctance to embrace areas of digital and technology, which might have improved your operating costs as an organization but wouldn't have improved your life as an individual." — **Paolo Cuomo, Executive Director, Gallagher Re.**

But there is also a suggestion that part of the problem is the relationship between business and IT functions. It's only when these changes are examined through a business capability and value lens that they start to make a stronger argument for a greater degree of change.

FIGURE 4

What is stopping your organization dealing with the issue of legacy technology more quickly?

Lack of capacity	Focus on higher priorities	Budget	Disruption	Lack of skills	Lack of business interest	None of the above
37%	36%	34%	30%	28%	25%	3%

Why It Matters

Insurance businesses are often vast, varied and complex, and legacy will impact different business departments in very different ways. As we can see, legacy technology has led to a poor customer, partner and business experience as well as challenges collecting data and drawing insightful analytics. As a result, client service and innovation suffers company-wide.

Legacy IT Holding Back Progress

Legacy tech has been slowing organizations' adoption of a data-driven approach, a situation worsened by the issue of weakened enterprise architecture functions coupled with inexpensive SaaS solutions. These are encouraging siloed teams to make key procurement and design decisions locally. This is reducing the degree of integration of businesses' tech stacks, making data integration harder to achieve and creating future legacy systems.

"An example of legacy technology slowing down the transformation of the business might be where it's supporting very old products, and your new systems don't cater to those products any longer. Very often businesses are reluctant to move away from those legacy systems because they're supporting a particular book of clients, usually in annuities. Some technologies have been running books of business for many, many years, so businesses can end up running new and old systems in parallel."
— **Natasha Davydova, CIO, AXA.**

This applies to closed books and long-tail business (e.g. for asbestos coverages, funeral insurance and complex lines like environmental risks, construction projects and medical malpractice). Having systems that can live productively for the necessary term of these arrangements is a big ask. Being able to port these policies to newer systems takes funding and resourcing, so this aspect can be challenging.

More broadly, looking at distribution channels as another example, legacy is impacting insurers' ability to provide self-service capabilities to clients, brokers and partners alike. They struggle to offer their quote and rate systems via APIs to their closest business partners; to process sufficient internal and external data to offer more advanced risk mitigation solutions and services; to re-key less and to automate and reuse more. Similar principles apply exactly to claims servicing — but these are all fundamentally data-orientated capabilities, so they would broadly apply to every department.

As a global risk manager for one of the world's largest technology firms told us: "Why would I trust an insurance company with more of my data or to offer me contextual solutions, when their technology is from the 80s?"

As Insurtechs have increasingly started to partner with insurance companies with deeper specialist solutions that offer good value through their relevance and problem solving, integrating these SaaS services in and out of the insurer's estate has become a full-time focus for many teams, often involving a 30-year-old AS400. These machines have lasted incredibly well, but are now outdated compared with their modern counterparts and challenging to integrate with effectively.

The Rise of Shadow IT

A direct consequence of people finding the situation frustrating is the rise of "shadow IT." Teams and departments are bringing in their own software solutions without the involvement of the enterprise architecture function. This not only compounds existing issues with siloed data, making the creation of a single view of the customer all but impossible, it also creates potential security problems.

It is not only siloed data that will make the next step of AI adoption more challenging, but this also further disconnects the business and partner user experiences. This creates what Gallagher Re's Cuomo describes as a "patchwork of future legacy," storing up problems for years to come.

Lack of Talent

Additionally, insurers face a staffing issue associated with maintaining these aging systems. According to a Germany-based senior insurance industry executive interviewed for this report: "A lot of the insurance companies run on legacy platforms, so they need legacy development skills. The code is Stone Age, but it's there and it'll be running for quite a while. But the number of people who are able to maintain that code in these old languages is reducing because those guys are 60 or 70 plus."

This also makes it harder to attract new talent into the industry, from business and technologist perspectives. Legacy systems, legacy processes, re-keying data, lack of insights and not learning important trends and career skills fast enough all drive up internal frustrations — and it's not always easy to see the exciting career opportunities that the industry has an abundance of.

What You Can Do About It

There is no silver bullet, but ultimately the only thing you can't do about it is nothing. Those companies with the funds and the drive will eventually make a business case for core platform replacement. A few might even undergo a business transformation. Many will forge a strategy to manage through — for example allowing new products and channels to sell and service on modern SaaS platforms while premium booking, finance and claims functions remain on the older tech. However, while this may be manageable for some commercial lines, consumer lines need a stronger claims function as part of their core value proposition. Meanwhile, other companies are increasing the amount they outsource, from TPAs, service companies and delegated authority arrangements. The partner strategy and outsourcing preferences are key factors in driving towards the right solution for your business and in finding the right talent for the technology requirements and retained functions.

One thing the research makes clear is that the vast majority of respondents (96%) are addressing the challenge posed by legacy systems, either by taking action or by assessing what action to take. What's even more striking is that three-quarters are either planning to replace their core technology (34%) or are in the process of transforming it (41%).

"You need to get rid of legacy tech, and there is no one solution that fits all. At the same time the market doesn't stand still. So you need to balance your transformation with your legacy decommissioning and your technical debt reduction. And you need to take it very seriously because the major foundation of trust in IT is stability. If your systems are not stable or secure, then you won't have trust from the business or from your customers to offer all the latest modern technologies to them and delight them. Then, when you achieve stability, you need to aim for for a high level of IT standardization because complexity doesn't scale. And when you have standardized modern solutions, it allows you to free up funding to invest in innovation. However, innovation is not a silver bullet. You need to be able to fail fast and to adopt and scale successful solutions quickly." — **Natasha Davydova, CIO, AXA.**

And failing fast and scaling quickly requires a strong technology foundation - one that's cloud-native and built on strong DevOps, integration and orchestration, data management and strategic UX capabilities – these are all crucial to properly supporting your business and striking a balance of stability and being innovation ready. Reimagine the business with modern tech enablement, working closely with the business to understand the cost sinks and pain points, as well as the real commercial opportunities.

"From an exec point of view, we're broadly aligned in terms of people understanding that this tilt to digital trading is going to need us to do things differently. What we haven't quite understood yet is that it's not just a technology problem. Actually, we need to change the way the business operates at times, and look to invest in different things, and be more technology-focused to enable that." **— Ian Wrigglesworth, CTO, Hiscox UK.**

To be successful in the long-term, executives need to do the following:

01

Use the lens of technology enablement.

The benefits of IT changes shouldn't be primarily seen in terms of technology; first and foremost, they need to be assessed in terms of the actual business benefits, both now and what they will enable in the future.

02

Upskill existing talent.

Data and technology, in particular AI, are growing in criticality and complexity for every business. This calls for a continuous approach to education, both top-down and bottom-up. Businesses rightly proclaim they are "customer-first," but the customer experience is powered by technology and data, so having pride in — and an understanding of — your technology is essential.

03

Recruit new talent to fill the skills gap.

Insurance is suffering from a brain drain. Expertise is leaving the industry while, at the same time, we're struggling to attract new talent because young people don't see the sector as interesting, exciting or career-worthy. High-functioning procurement, recruitment and HR functions will be essential to find the right people, and persuade them that the industry is worthy of their time.

04

Label the problem and report it correctly.

This isn't a problem of the IT department, and it's not just a technology problem. It's the organizational design, the encoded business processes, the protagonists against change and the scope of the impact that's much wider. Capture and measure the impact, make it visible and raise awareness of the burgeoning 'organisational debt'.

05

Build the business case.

Show the costs of working in your legacy technology against the costs of working in a newer ecosystem. This needs to put a financial penalty on organisational debt, lost opportunity cost, brand damage through poor CX, impact on culture and staff retention, and so forth. Raise the debate of these intangibles, and build cross-department support for change.

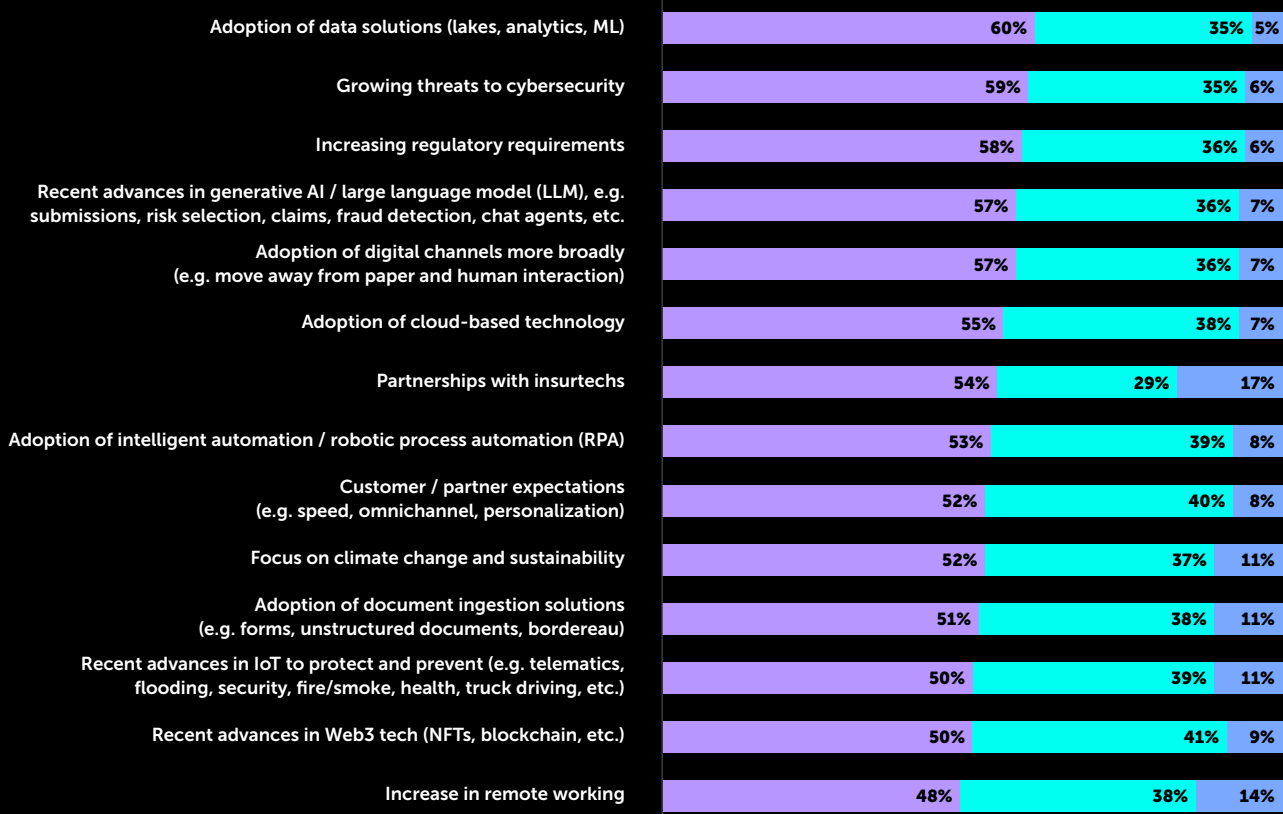# Finding 2: New Tech Can Better Enable the Business — Are You Ready?

The wave of technological trends ushered in by 2023 has affected businesses across all industries.

Figure 5 shows the extent to which survey respondents feel these trends are affecting their own organization. What's immediately striking is how little difference there is in how respondents perceive the impact of the various trends, highlighting the broad range of technology and business change initiatives that companies are having to contend with.

FIGURE 5

What impact do the following trends have on your business?

Legend: ■ Significant impact ■ Minor impact ■ No impact

Trend	Significant	Minor	No
Adoption of data solutions (lakes, analytics, ML)	60%	35%	5%
Growing threats to cybersecurity	59%	35%	6%
Increasing regulatory requirements	58%	36%	6%
Recent advances in generative AI / large language model (LLM), e.g. submissions, risk selection, claims, fraud detection, chat agents, etc.	57%	36%	7%
Adoption of digital channels more broadly (e.g. move away from paper and human interaction)	57%	36%	7%
Adoption of cloud-based technology	55%	38%	7%
Partnerships with insurtechs	54%	29%	17%
Adoption of intelligent automation / robotic process automation (RPA)	53%	39%	8%
Customer / partner expectations (e.g. speed, omnichannel, personalization)	52%	40%	8%
Focus on climate change and sustainability	52%	37%	11%
Adoption of document ingestion solutions (e.g. forms, unstructured documents, bordereau)	51%	38%	11%
Recent advances in IoT to protect and prevent (e.g. telematics, flooding, security, fire/smoke, health, truck driving, etc.)	50%	39%	11%
Recent advances in Web3 tech (NFTs, blockchain, etc.)	50%	41%	9%
Increase in remote working	48%	38%	14%

External challenges, such as growing cybersecurity, changing regulation and market partner arrangement, rub shoulders with issues around implementation of established technologies and the need to assess the potential of new ones. All of these are as important as changing customer, partner and employee expectations.

AI is clearly the most important technology trend for the next five years, according to survey respondents (*Figure 6*). The combined figure for AI and machine learning is twice that for the next most significant technology, cloud.

Strikingly, while APIs are seen by many interviewees as crucial for both working with legacy technology and building the automated, integrated business arrangements of the future, they are only seen as the most important technology by 6% of respondents.
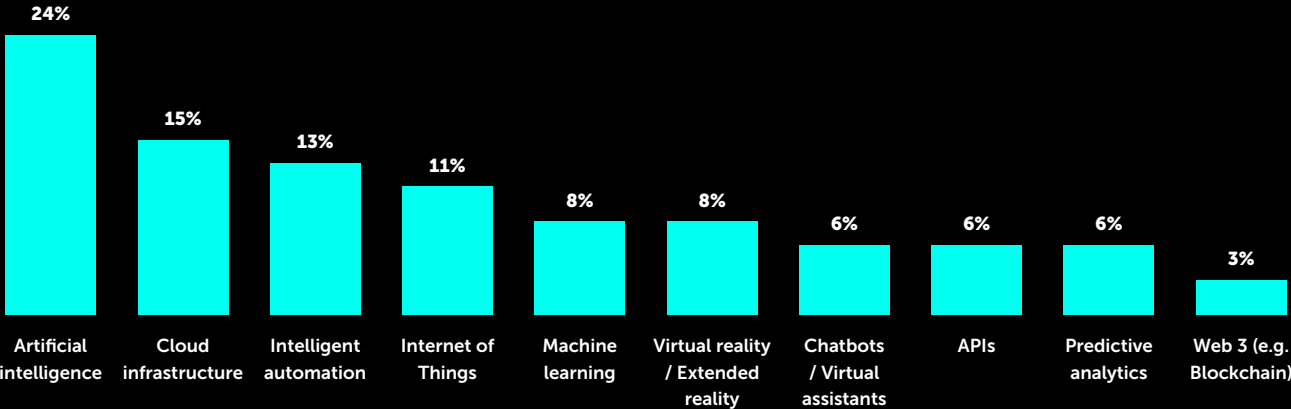
Learn more about the impact of generative AI and cloud-based technologies on the insurance sector:

Engineering the Future of Insurance:
Exploring Generative AI's Enterprise-Wide Impact

From Taming Cloud Complexity to Achieving
Cloud Mastery

FIGURE 6

Which emerging technological trend do you expect to have the greatest impact on your business over the next five years?

Technology	Percentage
Artificial intelligence	24%
Cloud infrastructure	15%
Intelligent automation	13%
Internet of Things	11%
Machine learning	8%
Virtual reality / Extended reality	8%
Chatbots / Virtual assistants	6%
APIs	6%
Predictive analytics	6%
Web 3 (e.g. Blockchain)	3%

Why It Matters

01

APIs are a critical and increasingly a table-stakes capability that companies should be focusing on, despite not being called out by survey respondents as a key emerging trend. For most, API enablement is a slower progressive journey, as it is achieved on a resource-by-resource basis for each system and the legacy tech doesn't always play nice with APIs.

02

The next wave of technology change is going to happen at an even faster rate than before. AI is widely predicted to change the business landscape more significantly than any other recent tech, and it's just starting its own exponential evolution cycle. What we have now will be very different in one year, three years or five years.

03

The latest surge of digital tech has even greater value for the business. However, the tech enablement, infrastructure and upskilling investments will need funding now. It is not possible to go from a complex and largely legacy environment where the business focus is on simple data processing tasks to good automation, good augmentation and being digitally driven in one short step. Just as important is the business journey. From an educational perspective, it will take time and learning for the business imagination to understand how to apply this tech to their specific areas.

04

This technology will be more pervasive than any before it. Every single piece of software, every SaaS service, nearly everything will in one way or another be combined with the latest AI tech. Just like all new software is cloud-enabled from the start, the day-to-day business impact may not be noticed on its own. However, AI will be front and center, from Word documents, Excel spreadsheets and knowledge-based services to strategy and planning, new business, policy servicing and claims handling. Therefore understanding how to assess it, keeping it honest and accurate, ensuring it has the right levels of security in place, and how to get the most out of it will be paramount to realizing the potential value.

05

Wait-and-see won't work.
Due to the nature of the business, many executives are wary of making the first move, with very few first-mover benefits being realized.

"Mature insurance companies traditionally have risk-averse organizational cultures. So, from a transformation perspective, some insurance companies have been followers rather than trailblazers. We can be trailblazers as well, and we're looking at new technologies. We're not only utilizing the cloud technologies, but also exploring telematics, metaverse, and already extensively using robotic process automation and AI for multiple use cases across all of our business units and support functions. For example, chatbots for our internal employees for self-service, but also for our customers. However, we also need to be very mindful about data security and privacy concerns. While everyone is excited about AI and machine learning, there should be guardrails in place in terms of data security, privacy, who can access our data and how it's transferred, especially within our ecosystems." — **Natasha Davydova, CIO, AXA**

What You Can Do About It

01

Actively learn and promote AI education across the organization.

The technology industry has standardized and commoditized the infrastructure by introducing the cloud, and it continues to climb the stack with platforms and ecosystems. The growing trends in tech are starting to touch the business more directly than previously possible. This means there is a critical need for education, upskilling and employee enablement. Start with a simple strategy to define how you will approach this new tech, remembering the importance that data security and cyber engineering play as key enablers here.

02

Data, data, data, data, data (and more data).

Computers have always been programmed with instructions. AI is now adding a critical aspect to computer systems, and it is utterly driven by data. Every core insurance process is also driven by data, and every employee should be tasked with the stewardship and management of data in order to contribute to the organizational benefits from using it with AI. And technology purchasing decisions should be made with an eye to building and maintaining a suitable data environment to enable this.

03

Build the governance of the future.

Governance and decision-making are failing to keep up with technology-driven change in most insurers. Businesses need to look across the entire organization, from removing friction in the business and empowering employees, to replacing annual planning with "always planning," becoming more dynamic and responsive. Governance needs to enable, not just prevent, and enterprise guardrails and tooling are required to support this.

04

Get familiar with experimentation.

Your business needs to learn the art of the possible, and this can only work through close business and technology collaboration. There's a lot of simple education that can start to adjust the mindset around what is fast becoming possible, how we should change our thinking and problem-solving techniques and what we should expect from this tech. It's not only at a global or departmental level, it is also at a local desk level that this change will occur. Think big. Start small. Learn. Grow. Just get started.

Finding 3: Executives Are Prioritizing AI, but It Must Compete for Focus

We have established that the change portfolio is full, available funding is finite and many parts of the industry are traditional and conservative in their leadership. We can also clearly see that executives are excited about the potential of AI and are starting to prioritize it. However, significant change will be slow and will take time to propagate through an organization, and there will be a journey to get leaders and employees onboard.

> *"Most insurance companies are 50 to 100+ years old, and they're operating on a very mature business model. That has implications for digital transformation, because as long as the business model works, it's quite challenging to convince the stakeholders that we need to change because they'll tell you that we make good profits, so why do we need to change the way we operate? And there's no pressure from disruptors or insuretechs to change the model either."* — **Senior insurance industry executive.**

Putting the trends discussed in the previous section in the context of companies' business goals provides further evidence that insurance is both culturally averse to risk and lacking a burning platform for change. Instead, strategic priorities — such as becoming more customer-centric and developing new products and distribution channels — are given very similar weight to the search for efficiencies (*Figure 7*).

While AI and large language model initiatives are indeed prioritized (with 53% marking it as a top priority), they are not the highest on the list. This suggests that while executives recognize the importance and potential of AI in driving efficiency and innovation, they also have other initiatives that are competing for attention and resources.

53%

of companies surveyed said AI and large language model initiatives were a top priority.

The survey indicates that developing new products, managing customer relationships and developing new distribution channels are slightly more prioritized than AI. These areas may directly contribute to top-line growth and customer satisfaction, which could explain their slightly higher priority.

Moreover, operational efficiencies through changes in the target operating model and through automation are equally or more important to these executives than both underwriting and claims efficiencies. This implies that there understandably remains a continued focus on operating costs and finding key efficiencies to drive down the expense ratio. However, the huge opportunities AI offers in this space are a further reason to increase the priority given to this technology.
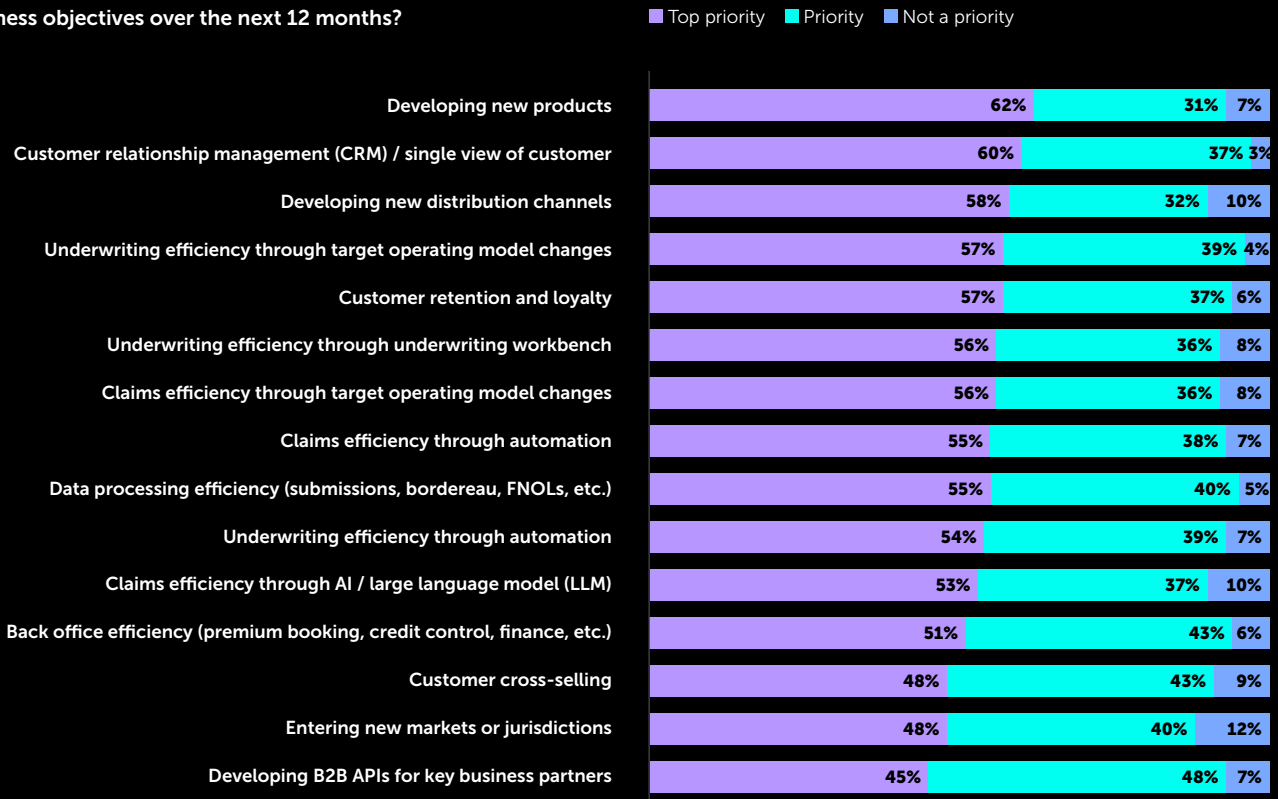
> *"The most important trend is that insurance is becoming more and more of a commodity. Our response is two-fold. On the one hand, we're trying to reap the benefits of platform approaches. We just started a platform in collaboration with Swiss Life to have online automated underwriting for individual life insurance, for example, simply to save cost and to secure margin. And, secondly, we're trying to offset the effects of less customer contact by enriching the services we provide to them."*
> — **Marcus Bitterlich, Head of Data and BI solutions, Zurich Insurance.**

FIGURE 7

How important to your organization are the following business objectives over the next 12 months?

■ Top priority ■ Priority ■ Not a priority

Objective	Top priority	Priority	Not a priority
Developing new products	62%	31%	7%
Customer relationship management (CRM) / single view of customer	60%	37%	3%
Developing new distribution channels	58%	32%	10%
Underwriting efficiency through target operating model changes	57%	39%	4%
Customer retention and loyalty	57%	37%	6%
Underwriting efficiency through underwriting workbench	56%	36%	8%
Claims efficiency through target operating model changes	56%	36%	8%
Claims efficiency through automation	55%	38%	7%
Data processing efficiency (submissions, bordereau, FNOLs, etc.)	55%	40%	5%
Underwriting efficiency through automation	54%	39%	7%
Claims efficiency through AI / large language model (LLM)	53%	37%	10%
Back office efficiency (premium booking, credit control, finance, etc.)	51%	43%	6%
Customer cross-selling	48%	43%	9%
Entering new markets or jurisdictions	48%	40%	12%
Developing B2B APIs for key business partners	45%	48%	7%

Speaking of commodities, executives acknowledge they have made good progress on API-enablement of key parts of their business, yet interestingly B2B APIs were prioritized as highly as other areas (*Figure 8*). It's likely that APIs have been used to enable data flow across the organization — for example, as more raters are moved away from spreadsheets and on to hosted solutions — and efficiency gains are sought to reduce re-keying and to better integrate the systems that support the various business processes. We might conclude that APIs are now considered a commodity component, table stakes for an insurer and baked into change initiatives.

We can see that the distribution of responses across the categories shown in *Figure 8* is quite balanced, with no single area showing overwhelming progress or lack thereof. This suggests a broad, multi-front push in digital transformation initiatives rather than a narrow focus on one or two areas.
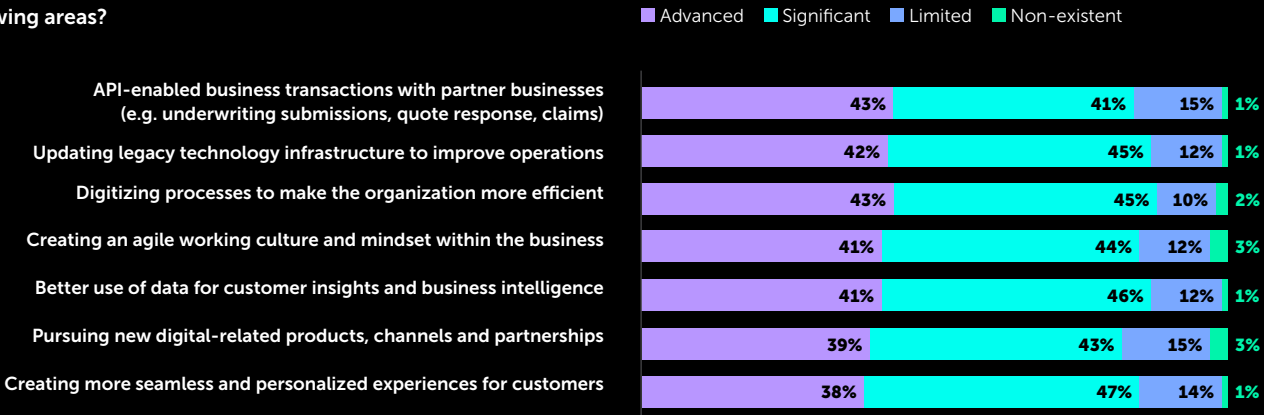
Due to capital requirements, insurance companies are often large entities with significant organizational complexity. This makes changing the status quo very difficult. Moving to a newer change model based on agile practices (something 41% described as advanced in their organization) can provide significant gains in change velocity, delivery success and customer satisfaction. As an executive in the London market shared: "We finally have our executive sponsor and senior business stakeholders discussing how to prioritize story points, instead of complaining about the cost." An impressive accomplishment.

The relative lag in "Pursuing new digital-related products, channels and partnerships" and "Creating more seamless and personalized experiences for customers" suggests that while foundational work in digital transformation is well under way, the more outward-facing elements, such as product development and customer experience, are in the earlier stages of progress. As indicated before in this report, this has likely been impacted by legacy tech.

The fact that "Better use of data for customer insights and business intelligence" is rated highly indicates that there is recognition of the value of data-driven decision-making. However, since this is not the highest-rated area, it may suggest that while data is recognized as important, the full potential of data analytics is not yet being realized.

FIGURE 8

How would you rate your organization's progress in the following areas?

Advanced | Significant | Limited | Non-existent

Area	Advanced	Significant	Limited	Non-existent
API-enabled business transactions with partner businesses (e.g. underwriting submissions, quote response, claims)	43%	41%	15%	1%
Updating legacy technology infrastructure to improve operations	42%	45%	12%	1%
Digitizing processes to make the organization more efficient	43%	45%	10%	2%
Creating an agile working culture and mindset within the business	41%	44%	12%	3%
Better use of data for customer insights and business intelligence	41%	46%	12%	1%
Pursuing new digital-related products, channels and partnerships	39%	43%	15%	3%
Creating more seamless and personalized experiences for customers	38%	47%	14%	1%

Why It Matters

A significant part of getting AI ready is getting data ready.

Spending focus on updating legacy tech and remediating organizational debt will undoubtedly support this, as will API enablement of processes and systems, and digitizing of processes.

There are more business opportunities through technology enablement.

As shown from the data, executives have high hopes for the future, yet funding remains broadly aligned to traditional IT spending. This means that adoption is slow and therefore the business potential is never fully realized.

There is much to focus on, and there is always something new to assess and implement.

With finite time and support for individual change initiatives, it can be challenging to create the space and support to prioritize new technologies — such as ChatGPT — as they emerge.

What You Can Do About It

01

Position AI-enablement correctly within your organization.

Given its newness, it may take more investment and foundational readiness than other competing initiatives, making it less attractive. Therefore, building a strong business case for your AI investments is key. However, the desired outcome isn't simply "to have AI." As with other technology, this is about AI-enablement of business benefits, so consider adding AI-enablement into the existing initiatives and business cases. This will require training, people investment, readying the environment for experimentation, establishing and maintaining strong security controls, and creating the space for your staff to test and learn, to innovate, and for them to change the ways that tasks are executed today.

02

Embrace AI.

AI is already transforming insurance from risk assessment and pricing to claims processing and fraud detection, and this is only the beginning. Combined with other maturing technologies, AI will transform insurance over the next few years. For example, the world is predicted to have five billion IoT-enabled devices in use by 2028. By then we'll also have widespread 5G to connect all those devices. The combination is going to catapult the industry to the next level in its cycle of capability, helping clients avoid risk through predictive analytics.

03

Build a connected ecosystem.

Getting data to flow among your key business partners helps to provide good-quality structured data at your front door. This leads to less re-keying and E&O, powers more self-service for more actions and provides faster results, leading in turn to faster and more accurate insights.

Learn more about IoT:

The Internet of Things

03

Conclusion

Conclusion

As we stand on the precipice of a new era in insurance, the findings of this report underscore the critical need for digital modernization across the industry. While the journey is complex and multifaceted, the path forward is clear: embrace innovation, prioritize customer-centricity and build a robust, future-ready technological foundation. The opportunities presented by digital modernization are not just incremental improvements but transformative changes that can redefine market leadership.

To navigate this transition, insurance companies must not only adapt to new technologies but also foster a culture that encourages continuous learning and agile responsiveness to the ever-evolving digital landscape. The integration of AI and machine learning into the fabric of insurance processes has begun to show its potential, yet it must be harnessed more effectively to deliver on the promise of increased efficiency and deeper customer insights.

As we conclude, we call upon industry leaders to take decisive action:

Invest Strategically in Emerging Technologies: Prioritize the allocation of resources towards technologies that not only streamline operations but also unlock new avenues for market engagement and product innovation.

Cultivate an Agile Organizational Mindset: Encourage a culture of innovation that embraces change, values cross-functional collaboration and empowers employees to think creatively about solving industry challenges.

Leverage Data to Drive Decision-Making: Harness the vast amounts of data at your disposal to inform strategic decisions, personalize customer experiences and anticipate market trends.

By addressing these areas with commitment and clarity, the insurance industry can look forward to not just weathering the storm of change but sailing ahead to lead our markets with digital dexterity.

Methodology

As well as interviews with a range of insurance sector representatives, this research is based on a survey of 200 insurance companies operating in European and global markets carried out in July 2023.

Responding companies include managing general agents, managing general underwriters, cover holders, third-party claims administrators, service companies, brokering/risk advisors and underwriters/carriers.

All respondents are involved in decision-making around the adoption of digital technologies and architecture modernization, and work for organizations with at least $50 million in annual revenue. The vast majority of survey respondents are heads of department or C-level.

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