

Insurance leaders optimistic about AI's impact on underwriting quality and fraud reduction but underwriter confidence lags

- 62% of insurance executives recognize artificial intelligence/machine learning technology (AI/ML) as elevating underwriting quality and reducing fraud
- 43% of underwriters trust and regularly accept automated recommendations from predictive analytics tools but many still have concerns around complexity and data integrity

Paris, April 17, 2024 – The Capgemini Research Institute's [World Property and Casualty Insurance Report 2024](#), published today, reveals the underwriting capabilities of insurers are being restricted by organizational constraints. According to the report, only 8% of property and casualty (P&C) insurers are regarded as underwriting "trailblazers" who are consistently outperforming mainstream carriers by leveraging AI-driven insights and automation to make informed decisions and accurate risk assessments with efficiency. These industry frontrunners drive greater collaboration and customer transparency by keeping underwriters at the heart of all decisions.

Challenges mount for P&C insurers

As inflationary pressures hit policyholders' pockets, there is increased demand for affordability, simplicity, and transparency from their carrier. According to the report, 42% of policyholders find the current underwriting process complex and lengthy. Additionally, 27% of policyholders switched providers in the last two years in search of lower premiums (60%) and better coverage (53%).

While premiums have increased, underwriting practices have struggled as combined ratios breached 100% sparked by natural catastrophe events, evolving risks due to technology innovation such as cyber threats and emergence of generative AI, and regulatory complexity. Capgemini research shows industry executives cite significant organizational barriers affecting their ability to delight the customer: insufficient access to data (54%), legacy systems (51%), and a lack of skilled talent (47%).

"Today's insurer is operating in one of the most precarious environments in recent memory. The industry must react to this volatility by rethinking the underwriting rule book," said Adam Denninger, Global Insurance Industry Leader at Capgemini. *"It requires shifting away from legacy models by modernizing core systems and deploying advanced technologies that drive better outcomes and transparency. Embracing AI-driven insights and automation is crucial for the industry to drive a competitive path towards underwriting profitability that adapts to evolving risk dynamics and policyholder behaviors."*

Underwriters' confidence is key to reap trailblazer benefits

The report finds that 62% of executives recognize artificial intelligence/machine learning technology (AI/ML) is elevating underwriting quality and reducing fraud. Despite these benefits, only 43% of underwriters trust and regularly accept automated recommendations from decision-support predictive analytics tools. This hesitation



stems from perceived overcomplexity (67%) and concerns over data integrity (59%). Insurers can overcome their reluctance, cites the report, by engaging underwriters early on to secure buy-in, retain the all-important “human in the loop” to ensure the AI/ML models are explainable and appropriately transparent, and continually assess progress.

While some carriers show promise in these areas, not many insurers successfully showcase the “trailblazer”¹ qualities to deliver fast, unbiased, and forward-looking underwriting decisions. Armed with the right advanced underwriting capabilities, trailblazers can expect to reap benefits across efficiency (higher speed and lower expenses), accuracy (loss costs and fraud detection), and customer experience (new business and policyholder retention). The analysis finds that less than 13% of this group miss business goals associated with these priorities, compared to 21-36% of mainstream insurers.

Streamlined underwriting begins with unlocking deep data insights

A majority (83%) of P&C insurance executives believe predictive models are critical for underwriting’s future, yet only 27% say their firm has advanced capabilities. The journey to unlocking data-driven and actionable insights begins by leveraging a secure data ecosystem.

Globally, 53% of policyholders express concern about the amount of personal information collected by insurers. However, almost two-thirds say they would be willing to share more data in exchange for transparency, discounts, and reassurance that their information is secure. This sentiment represents a chance to scale up risk mitigation propositions and enhance insurability while building engagement and trust, leading to higher customer retention.

P&C insurers face a considerable challenge in meeting the data needs of their underwriters as there are significant gaps between the importance of various data types and insurers’ data capability maturity. According to the report, 49% of underwriters value drone image data yet very few insurers are equipped to support and analyze them effectively. Similarly, one-in-two underwriters want data from connected devices for real-time information about personal and commercial assets, although only 12% of insurers can capture such data effectively.

According to the report, the resulting lack of data mastery is hurting an insurer’s core business as incomplete risk evaluation plagues 77% of insurers. With weak data resources, 73% of firms are facing limited pricing accuracy which prevents adequate claims coverage and eventually may threaten solvency. Another 70% say inconsistent underwriting decisions are a prevailing issue.

Report Methodology

The World Property & Casualty Insurance Report 2024 draws data from three primary sources: the 2024 Global Insurance Voice of the Customer Survey, the 2024 Global Insurance Executives’ Survey, and the 2024 Global Insurance Underwriters’ Survey. 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.

About Capgemini

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It

¹ Trailblazing underwriters actively leverage advanced technology to deliver real-time, data-driven recommendations and decisions. By seamlessly integrating third-party and traditional data sources, these pioneers foster a collaborative ecosystem that keeps underwriters at the core while promoting transparency with customers.



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