State of the Insurance Industry

Insurers Focus on Profitability Over Growth

In 2024, optimizing costs and modernizing processes are projected to remain the highest priority investments (see chart) for insurers.

There is an increased focus on transforming core insurance systems (from 7% in 2023 to 13% in 2024) and AI (from 6% to 12%).

Insurers say top 2024 challenges are macro-economic events and profitability goals.

Perceived Value from Outsourcing

Today, Capacity is Table Stakes

Providers constantly strive to differentiate themselves to enterprises. But, while providers are good at delivering capacity, respondents perceive providers as not as strong at delivering expertise and managing risk. This is not aligned with enterprise needs, as their top motivation for outsourcing is expertise.

The AI Reset

Perceived ROI from AI Decreases YoY

With the advent of generative AI, a decrease in perceived ROI is perhaps to be expected. Why? Generative AI reset all expectations of possible ROI higher and also reset the clock on investment payback. This is why fewer respondents in 2023 felt they were getting ROI from their investments this year than last as expectations for the industry and AI are redrawn.

The Industry’s AI Outlook Remains Positive

Organizing for AI initiatives

Insurers are organizing their COEs for AI initiatives predominantly under the IT department. Meanwhile, 54% believe AI and automation will replace employees doing rules-based tasks within 5 years. Over 80% expect a positive impact on productivity for claims management, insurance ops and policy management.

Contact us to find out more about this study. If your organization needs help navigating the technologies, processes and culture needed to lead the industry, ISG can help.