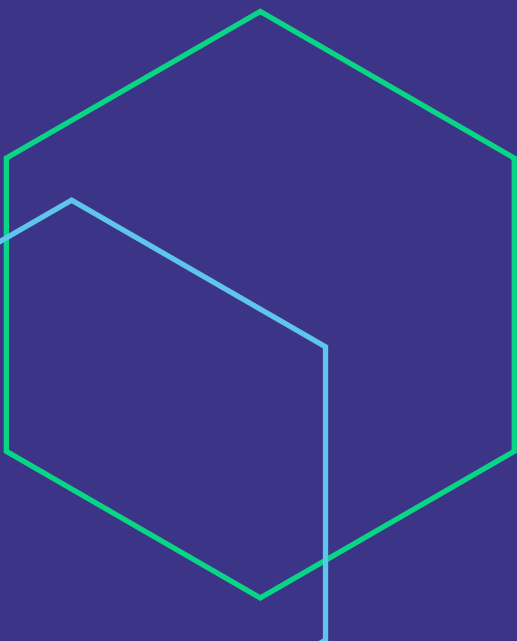




Duck Creek
Technologies



Global P&C Insurance and Insurtech Trends 2024





As we step into 2024, the insurance market continues to face new challenges and headwinds spurred on by new trends and technologies.

To help you stay ahead of the curve, this paper offers a comprehensive exploration of the upcoming transformative changes across various domains – from the potential of Generative AI and the associated security implications, to the evolution of cloud platforms, the dawn of a new digital frontier, and the maturation of API interactions.

Our analysis is backed by leading industry sources, providing you with a roadmap tailored to navigate the complexities of integrating rapidly evolving technologies within your enterprise.



Global & Macro Trends

Sweeping global and macro trends reshape industries, amplifying the demand for sustainable and ethical business practices, and transforming the insurance sector into a sustainability ambassador.

Climate & Evolving Consumer Expectations

Climate change persistently triggers catastrophic events demanding urgent actions for the health of global ecosystems and communities⁹.

Concurrently, as consumer trust in social media diminishes, traditional news organizations are regaining status as reliable sources of information, setting a new challenge for corporations in the Asia-Pacific region that struggle to operationalize customer trust¹⁴.

For insurers worldwide, these changes may necessitate enhancements in risk modeling to account for climatic uncertainties while striving to boost transparency and trust in their customer communication.

Global Economy & Political Changes

The global economy is balancing on a precipice, with potential recession and economic resilience shaping future paths. Amidst the normalization of real interest rates and revival of industrial policies, the US anticipates a GDP growth slowdown⁹. Non-linear downside risks have emerged in global politics due to geopolitical uncertainty, adding complexity to diplomatic and strategic efforts to manage regional conflicts⁹.

These economic and geopolitical shifts may require insurers to reassess their market strategies, account for variable interest rates in their financial planning, and adapt to the potential regulatory changes influenced by political uncertainties.

Workforce Evolution & Rise of ESG

Hybrid work models are gaining traction, with 40% of Europeans anticipated to follow this trend, necessitating innovative collaboration models¹. 2024 poses distinct challenges for businesses, especially in privacy and employee experience. The proliferation of privacy laws and a lack of privacy talent will require companies to prioritize upskilling and expanding privacy departments⁴.

While funding for pivotal employee experience initiatives like DEI may decline, leading firms will continue DEI-influenced recruiting due to its proven positive impact⁴. In this changing landscape, the insurance industry is emerging as a 'sustainability ambassador', mirroring the rise of moral capitalism and the growing importance of ethical, sustainable practices in business operations globally³.

This evolution highlights the need to invest in digital technologies that support remote work, strengthen privacy measures to comply with expanding laws, and reaffirm their commitment to ESG factors in their business operations and services.

40%

of Europeans following Hybrid work models.



P&C Trends

P&C trends in 2024 depict a transformative landscape, marked by climate impacts, evolving business models, and operational shifts, challenging the industry to innovate and optimize in the face of adversity.

As we delve into the trends shaping the Property and Casualty (P&C) insurance sector, we find ourselves in a dynamic landscape characterized by an amalgam of challenges and opportunities.

This analysis explores key trends across various aspects of the P&C insurance industry, focusing on the impact of climate change on insurance, market conditions, the evolution of Insurtech, and the continuing transformation of insurance business models and carrier operations.

As these trends continue to evolve, they will undoubtedly shape the trajectory of the P&C insurance industry in the years to come. Let's delve into each of these trends to gain a deeper understanding of the current scenario and what the future might hold.



P&C Trends

Climate Impact on Insurance Natural Catastrophe, Insured Losses and Employee Experience Challenges

The looming threat of climate change continues to assert its influence on the insurance industry. Natural catastrophe insured losses are anticipated to reach approximately USD 100 billion in 2023, marking the fourth consecutive year and the sixth year since 2017 (after adjusting for inflation) that such losses have remained high, thus signifying the sustained hard market conditions in the insurance sector³.

As extreme weather events become more prevalent, new challenges are emerging in relation to the employee experience. Heatwaves, for instance, are starting to affect sectors such as education and commuting, highlighting the need for companies to adapt their policies and investments to the ongoing effects of climate change³.

With the increasing severity of climate change impacts, insurers may have to reassess their risk models and pricing structures to account for higher insured losses. Companies also need to reevaluate their employee wellness programs to ensure the safety and wellbeing of their staff amid extreme weather conditions.

Market Conditions in Insurance Hard Market Continues and Elevated Reinsurance Rates

The insurance industry, particularly the US non-life market, is dealing with the hardest market in a generation. Insurers are striving to raise prices swiftly to cover the immense growth in expenses. This struggle is only expected to intensify as the industry navigates through these tough market conditions³. Reinsurance rates are also likely to remain elevated, posing additional challenges to the industry³.

In this hard market, where prices are rising, insurers need to find a balance between maintaining profits and providing affordable coverage to consumers. Elevated reinsurance rates may force carriers to rethink their risk-sharing strategies.

Evolution of Insurtechs Financing Challenges and Innovation Opportunities

Insurance Technologies (Insurtechs) are uniquely positioned at the crossroads of opportunity and challenge. High interest rates pose significant hurdles to the venture-financing model, impacting startups in the insurance sector. Yet, the continued effects of climate change are predicted to spur innovation among Insurtechs, particularly in relation to new data and underwriting solutions for natural catastrophic events⁷.

The financing challenges faced by Insurtechs necessitate insurers to be more strategic and selective in their partnerships with these startups. However, the innovation opportunities presented also mean insurers should be ready to leverage new technologies to improve underwriting and claims processing for catastrophic events.

Consolidation Through M&As

In the coming years, the Insurtech sector is expected to witness a decline in the number of new startups and the amount of funding available, prompting an increased focus on proven offerings and consolidation through M&A Activities⁷.

Natural catastrophe insured losses are anticipated to reach approximately

\$100bn

USD in 2023



P&C Trends

Despite these challenges, there is a silver lining: the rise in pent-up activity might potentially lead to an upsurge in deals later in 2023 into 2024. Insurtech companies are likely to remain at the forefront of acquisition activity, as carriers increasingly recognize the importance of these capabilities for transformation efforts across the entire value chain³.

The expected consolidation in the Insurtech sector through M&As may result in fewer, but more robust and proven technological innovations for insurers to harness. Insurers must remain vigilant and proactive in seizing these opportunities for operational enhancement.

Insurance Business Models Continue to Evolve The Changing Landscape: Embedded Models, MGA Market Growth, and Expansion of Distribution Channels

The world of insurance is undergoing significant shifts in its business models. Among the most notable is the change in perspective towards embedded insurance. Once the subject of industry buzz, it is now being regarded as a long-term play, with immediate expectations tempered by the complexities accompanying its adoption⁷.

In contrast, the Managing General Agent (MGA) market continues to flourish, serving as a catalyst for change. This growth is spurred by the emergence of new entrants and expansion of incumbent players, both contributing to the dynamic evolution of the insurance landscape⁷.

Additionally, 2023 has set the path for insurers to witness an aggressive expansion in distribution channels, particularly within commercial lines. This strategic push extends even to carriers that have been traditionally reliant on the independent agent distribution model. Embracing a broader range of distribution channels is seen as a necessary strategic adjustment to navigate the increasingly competitive market⁷.

As the insurance business model evolves, insurers must adapt to more embedded insurance, capitalize on the MGA market growth, and broaden their distribution channels. This means an increased focus on seamless integration, fostering relationships with MGAs, and diversification of distribution strategies.

Carrier Operations Streamlined and Transformed Navigating the New Normal: Economic Conditions, Talent Crisis and Evolving Consumer Expectations

The insurance industry is also grappling with transformation on the operational front. External influences such as inflation, economic uncertainty, and the adoption of a hybrid workforce model are compelling insurers to drive down expenses and seek efficiencies⁷.

This need is leading insurers to harness new data sources and embrace emerging technologies such as machine learning, natural language processing, and Robotic Process Automation (RPA), marking a significant step in the industry's evolution towards operational optimization⁷.

Concurrently, the talent crisis within the industry is prompting carriers to develop robust long-term talent strategies. Recognizing the changes in job roles and the industry-wide talent shortfall, insurers are investing in comprehensive strategies to attract, retain, and develop talent⁷.

Moreover, insurers are undergoing a transformation driven by evolving consumer expectations. Increasingly, insurers are shifting their focus from solely offering insurance to a more holistic approach that includes risk prevention, loss mitigation, and closing protection gaps.

This shift is particularly significant in the face of growing global risks that seem financially insurmountable, underscoring the industry's role in both risk management and impact mitigation³.



P&C Tech Trends

P&C Tech Trends highlight a future shaped by AI and GenAI, transforming industry operations, customer experience, and service delivery. Amid rising cybersecurity concerns, the industry is propelled towards a new era of innovative solutions and digital maturity.

As digitization permeates every facet of the business, insurers are increasingly leveraging innovative technologies, from artificial intelligence to generative AI, to enhance operational efficiency, improve risk assessment, and deliver superior customer service.





P&C Tech Trends

The Emergence of AI in the Insurance Industry Transformative Power of AI

As we move into an increasingly digital era, Artificial Intelligence (AI) is transforming various aspects of the workplace. It is fueling creativity and enhancing productivity, expected to uplift enterprise AI initiatives by 50%⁴. The IT industry, in particular, is undergoing a significant shift, with AI replacing cloud as the principal innovation driver⁶.

By 2025, Global 2000 (G2000) organizations will allocate over 40% of their core IT spend to AI-related initiatives⁶. Additionally, AI's transformative power extends to underwriting in the insurance sector, where AI-based solutions will dramatically improve risk selection, appetite, and streamline tasks⁷.

With this change, insurers will need to embrace AI's transformative potential, especially in underwriting, to enhance risk selection and simplify tasks. Insurers can also invest in AI-related initiatives to maintain a competitive edge and ensure efficient, data-driven decision-making.

40%

core OT spend on AI related initiatives

The Challenges and Opportunities of Implementing AI

The AI boom, however, is not without its challenges. The rapid advancement of AI is expected to encounter limitations due to restricted chip availability by 2024⁴. Furthermore, underfunded skilling initiatives in AI, cloud, data, security, and emerging tech fields could impede enterprise attempts to succeed in these areas.

Through 2026, it is projected that 65% of enterprises will fail to achieve full value from their tech investments due to inadequate training⁶. On a brighter note, these challenges present opportunities for growth and improvement. The insurance industry, for instance, is leveraging automation to address talent gaps and sustain growth².

Insurers can consider addressing AI's rapid advancement by investing in workforce skilling initiatives in AI and related fields. By doing so, they can leverage AI's capabilities and automation to bridge talent gaps and ensure continued growth.

Brand-specific AI and Machine Customers: The Future of AI

The future of AI is teeming with innovative ideas and promising trends. Notably, there is a trend towards "brand-specific" AI models, where the top 10 agencies are expected to allocate \$50 million to develop custom AI solutions in partnerships for enterprise clients⁴.

A groundbreaking shift is also underway, with companies predicted to create 'machine customers,' influencing trillions of dollars in purchases by 2030⁵. Moreover, the integration of data, AI, and analytics is leading to significant tech convergence, enabling data to fuel AI algorithms and communicate with workers and customers autonomously². Insurers should consider investing in brand-specific AI models and be prepared for the shift towards 'machine customers'. They need to integrate data, AI, and analytics to allow their systems to communicate autonomously with workers and customers.

65%

of enterprises will fail to achieve full value from their tech investments



P&C Tech Trends

Generative AI Adoption The Transformation of Public Perception and Engineering Approaches

The public's perception of Generative AI (GenAI) is undergoing a significant transformation. Once skeptical consumers are increasingly accepting and incorporating this technology into their lives, with a projected uptake of 60%⁴. This represents more than a shift in attitude; it indicates a growing reliance on AI's integral role in modern living.

In the corporate sphere, this evolution is mirrored by operational changes. Despite the advent of cloud-based prompt engineering services, an estimated 80% of firms are expected to incorporate prompt engineering capabilities internally to accelerate value delivery⁴.

By 2024, every major hyperscaler is projected to have initiated a preview or general availability of prompt engineering, marking a major milestone in the incorporation of AI within operational infrastructure⁴.

With this transformation, insurers need to adopt GenAI to align with the changing public perception and inculcate prompt engineering capabilities internally. This move is essential to accelerate value delivery and stay ahead in the industry.

AI-Enhanced Customer Service and the Implications for Consumer Privacy

The domain of customer service is also witnessing the transformative impact of AI. With the aid of Generative AI, customer experience (CX) is projected to improve for the first time in three years, highlighting the potential of AI augmentation in service delivery⁴.

However, this increased reliance on AI, particularly on platforms like ChatGPT, has raised concerns around consumer privacy. Regulators are expected to intensify scrutiny of how personal identifiable information is handled, with the likelihood of fines being imposed for any mishandling⁴.

Insurers should leverage AI to improve customer service but must also ensure they have robust privacy measures in place. Strong data protection protocols are crucial to avoid breaches and potential fines.

AI Augmented Development and Democratized GenAI: The Revolution in Software Development and Access to Information

AI technologies are revolutionizing software development. By 2028, an overwhelming majority (75%) of enterprise software engineers are predicted to utilize AI coding assistants for creating, testing, and delivering applications⁵. This reflects a huge leap from less than 10% in early 2023, demonstrating the pace at which AI is transforming the industry⁵.

Alongside this, GenAI is democratizing access to information. With the advent of natural language conversational interfaces, vast sources of internal and external information are expected to become readily accessible and available to business users⁵.

To make the most out of AI technology, insurers should harness its power in software development and use GenAI to improve access to information. This will help in creating, testing, and delivering applications more efficiently.



P&C Tech Trends

Services Industry Transformation: The Impact of GenAI on Service Delivery

GenAI is set to trigger a seismic shift in the delivery of human services—spanning strategy, change management, and training. By 2025, it is projected that 40% of services engagements will incorporate GenAI-enabled delivery. This development has far-reaching implications, impacting diverse areas from contract negotiations to IT operations and risk assessment⁶.

Insurers need to adopt GenAI to transform service delivery. This transformation will impact multiple areas, from contract negotiations to IT operations and risk assessment.

40%

of services engagements will incorporate GenAI-enabled delivery

P&C Enterprise Platforms

In response to the ever-increasing focus on operational efficiency and evolving consumer expectations within the P&C industry, a critical evolution and modernization of P&C core platforms are anticipated. This wave of modernization is propelled by the groundbreaking innovations currently offered by tech companies.

Backstage and Platform Engineering

Backstage emerges as a leading contender in the arena of self-service developer portals, primarily due to its comprehensive approach to consolidating the discovery, creation, and management of various developer resources.

This portfolio of resources includes Git repositories, build pipelines, APIs, and infrastructure automations. What makes this platform stand out is the convenience of having all these resources unified in a single portal for universal use. The surge in leading companies investing in Backstage speaks volumes about its potential and future dominance in the industry⁴.

Moreover, as we navigate through the technological landscape, we can anticipate a considerable shift in the organizational structure of software engineering entities. It is projected that by 2026, up to 80% of such organizations will set up platform teams as internal providers of reusable services, components, and tools for application delivery⁵.

On this note, insurers will need to invest in platforms like Backstage for efficient management and discovery of developer resources. They also need to adopt platform engineering approaches to enhance application delivery capabilities.



P&C Tech Trends

Industry Cloud Platforms and the Importance of Modern Core Systems

Industry Cloud Platforms have been making waves with their unique ability to address industry-relevant business outcomes. This is achieved by integrating SaaS, PaaS, and IaaS services into whole product offerings with composable capabilities. According to predictions, by 2027, over half of all enterprises will leverage industry cloud platforms to propel their business initiatives, showcasing a significant rise from less than 15% in 2023⁵.

In tandem with the progression of Industry Cloud Platforms, the importance of modern core systems is emphasized. These core systems support the other initiatives outlined here and form the backbone of these advancements. The criticality of having a modern, API-enabled, cloud-based infrastructure cannot be overstated².

Insurers should leverage Industry Cloud Platforms to drive their business initiatives and invest in modern, API-enabled, cloud-based infrastructures. These systems form the backbone of their advancements and ensure efficient operation.

50%

of all enterprises will leverage cloud platforms

Digital High Frontier and API Interactions

As we steer towards 2028, a significant technological shift is anticipated - one where 80% of enterprises will integrate Low Earth

Orbit Satellite Connectivity. This will pave the way for a Unified Digital Service Fabric that guarantees resilient ubiquitous access and ensures the fluidity of data⁶.

In conjunction with this, the interactions between digital and foundational technologies via APIs will mature significantly. This maturity will provide the flexibility necessary to deliver the desired user experience, a crucial facet of advancing technology⁷.

To stay competitive, insurers need to integrate Low Earth Orbit Satellite Connectivity and mature their API interactions. These steps will enable the delivery of a seamless user experience and ensure the fluid movement of data.

Cybersecurity AI/ML Security Risk and Continuous Threat Exposure Management

In the realm of cybersecurity, Trust, Risk, and Security Management (TRiSM) controls applied to AI applications hold the potential to drastically improve decision-making accuracy among enterprises. By 2026, the elimination of 80% of faulty and illegitimate information is expected among enterprises implementing these controls⁵.

Simultaneously, Continuous Threat Exposure Management (CTEM) will play a pivotal role in guiding security investments. Organizations that align their security investments with a CTEM program by 2026 are expected to benefit from a two-thirds reduction in breaches, a testament to the effectiveness of this approach⁵.

In cybersecurity, insurers should apply TRiSM controls to AI applications and align their security investments with a CTEM program. This approach will reduce breaches and improve decision-making accuracy.



Final Comments

In 2024, the hard market is set to persist, with the US GDP projected to slow while emerging markets experience higher GDP growth. Various factors—such as high interest rates, increased natural catastrophes, and ongoing global conflicts—will contribute to premium growth and elevated reinsurance rates in the P&C industry.

Additionally, within the insurance sector, we anticipate a rise in consumer expectations. Social inflation will drive the industry towards a more customer-centric approach, emphasizing the importance of modern core systems. Insurtechs will brave the market with an uptick in M&A activity and consolidation.

As for technology in the coming year, increasing consumer privacy demands and a lack of privacy talent will remain visible. AI emerges as a solution for some talent gaps in customer service and underwriting as well as servicing industry transformation in tech convergence, underwriting efficiency, and machine customers. Although public perception of AI will trend towards positive, cybersecurity concern increases, and processing will be limited by chip availability.

Beyond the AI advancements, technological evolution is anticipated in the digital high frontier, platform engineering, industry cloud platforms, APIs, and threat exposure management. However, challenges will emerge, including infrastructure turbulence, mismatches in IT skills, and ongoing concerns regarding consumer privacy.

All signs point to 2024 being a year of tech convergence, where big data, analytics, and AI seamlessly blend into one overarching strategy.

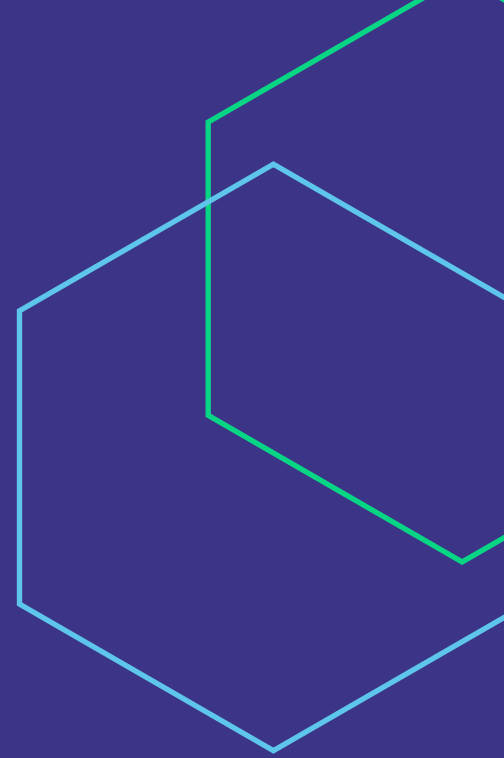


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About Duck Creek Technologies

Duck Creek Technologies is the intelligent solutions provider defining the future of the property and casualty (P&C) and general insurance industry. We are the platform upon which modern insurance systems are built, enabling the industry to capitalize on the power of the cloud to run agile, intelligent, and evergreen operations. Authenticity, purpose, and transparency are core to Duck Creek, and we believe insurance should be there for individuals and businesses when, where, and how they need it most.

Our market-leading solutions are available on a standalone basis or as a full suite, and all are available via Duck Creek OnDemand.

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