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DIMENSIONS NORTH AMERICA PROPERTY/CASUALTY INSURANCE IT PRESSURES & PRIORITIES

2025 Edition

February 4, 2025

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY



The key business goal for 2025: Grow, efficiently

- Growth and efficiency are the two top business goals for insurers in 2025, with more than 40% of insurers citing each as a significant factor in this year's IT planning.
- P/C insurers' primary obstacle continues to be IT funding levels. Generally speaking, insurer IT functions have the tools and skills they need to deliver on business goals; the challenge is in aligning large project agendas against the bandwidth of available staff.



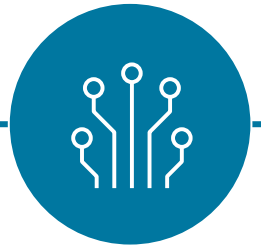
Data, data, data

- Insurers plan to aggressively invest in data capabilities in 2025. More than half of insurers plan replacement efforts or significant enhancement in data systems this year.
- Generative AI is the leading area of investment, but reporting/business intelligence, data management, and analytics are all nearly equally important.



Most insurers' 2025 IT budgets will rise slightly from 2024 levels

- On average, insurer IT budgets are continuing their upward trend, with the average P/C carrier allocating 7.5% of annual written premium in 2024, compared to 6.1% in 2023.
- 2025 IT budgets will tick up slightly, with an average rise in IT spend of 3% in 2025.
- Smaller insurers' IT budgets are contracting slightly, driven by Tier 4 insurers, who plan to cut roughly 2% from IT budgets this year. Tier 5 insurer IT spend is projected to be level with 2024 rates.



Insurers look to innovate via transformative efficiency

- Celent's 2025 Previsory report predicted that "transformative efficiency" would be a major theme for P/C insurers. Process efficiency in 2025 isn't just about cost-cutting, but also transforming internal processes to support growth goals. Innovation and efficiency should attract customers and partners, not turn them away.
- "Innovation" is still a major 2025 priority for many insurers but is likely to take the form of low-risk, high-value tactical fixes that reduce friction and streamline processes.

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ABOUT THE DIMENSIONS STUDY



THE DIMENSIONS STUDY

Celent's annual look at insurer IT funding and strategic priorities

DRIVING INSIGHTS THROUGH DATA

- To help clients navigate challenges facing the industry, Celent has developed a detailed survey to discover what matters to them most, and what impact those priorities have on their IT budgets.
- These insights are presented in a suite of reports for tracking financial institution IT priorities and spending. These include drivers for spending as well as forecasts, and which span across business lines as well as regions.
- This report, **Dimensions North America Property/Casualty Insurance: IT Pressures & Priorities 2025**, provides insights that identify the imperatives that are driving technology budget allocations in 2025. Later reports will cover other regions and verticals.
- Our survey design also allows us to create common questions that address all the areas that Celent covers, giving us the unique ability to compare results among different lines of business. And questions specific to **P/C insurance** enable us to delve deeper than ever before. As a result, we can now compare results not only by geography, but also by size of institution and other measures as well.

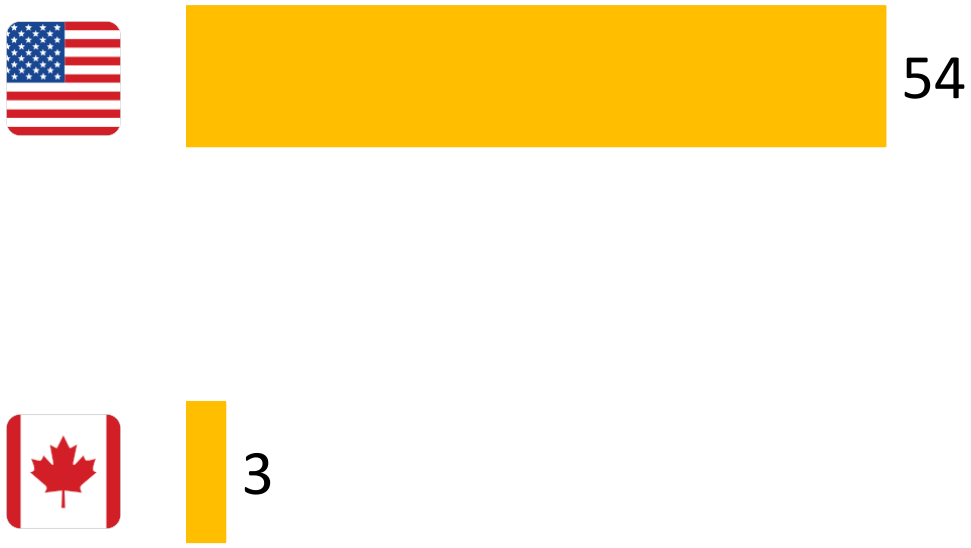
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IT DIMENSIONS SURVEY 2025: NORTH AMERICA PROPERTY/CASUALTY INSURANCE

Study participant demographics by country and size

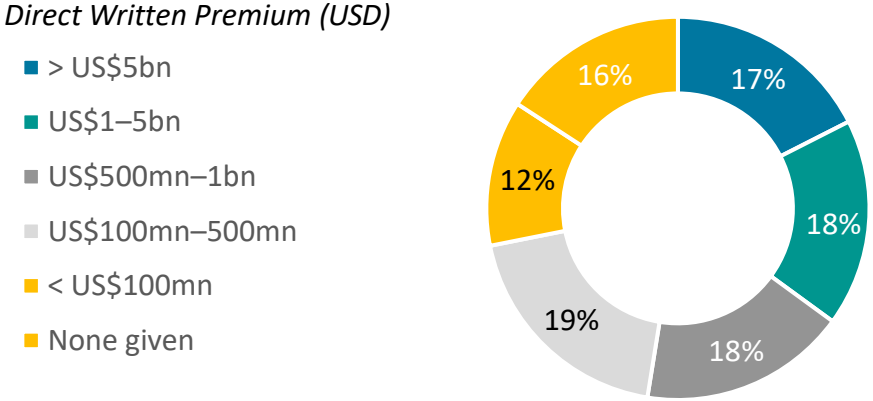
BY COUNTRY



Analysis is presented in aggregate for all North American insurers.

BY SIZE

Total Direct Written Premium (USD)



57

Insurers from North America participated in the study. These companies represent a mix of property/casualty lines, including personal, commercial, and workers' compensation.

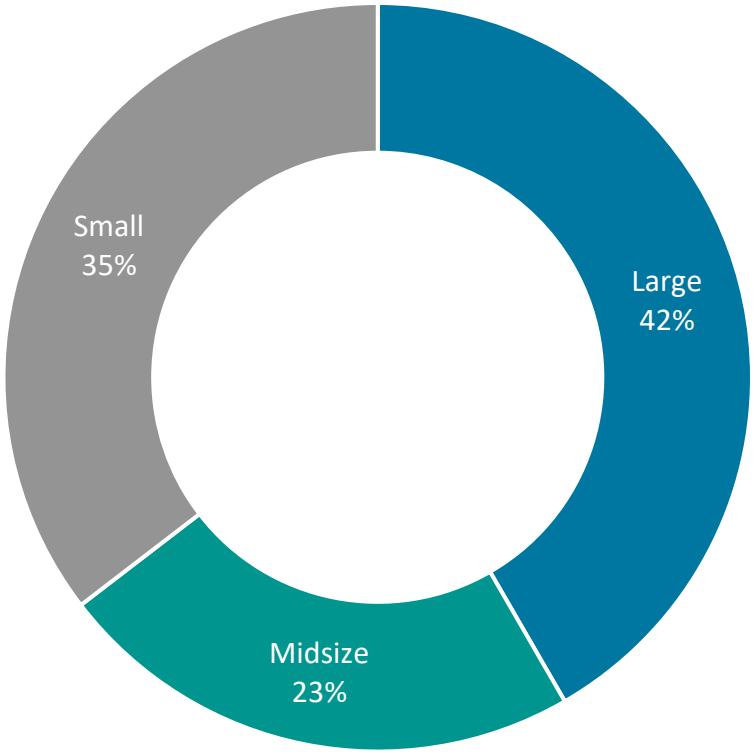
Survey fieldwork was completed November 2024 to January 2025.

Source: Celent P/C Insurance Dimensions Survey 2025

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THIS REPORT PRESENTS FINDINGS FOR THREE INSURER SEGMENTS: LARGE, MIDSIZE, AND SMALL

2025 NA P/C Insurer Study Participants by Size Segment



- Celent segments insurers into three groups according to the direct written premium (DWP) of those insurers (or of the business unit supported by the CIO):
  - Large: greater than $1 billion in DWP; 20 total insurers
  - Midsize: between $500 million and $1 billion in DWP; 11 insurers
  - Small: less than $500 million in DWP; 17 total insurers
- 57 insurers responded to the survey; however, only 48 provided DWP information.
  - For analysis presenting the full cohort of property/casualty insurers, all 57 insurers are included in the analysis.
  - For analysis on insurer budget trends or priorities according to insurer size segment, a total of 48 insurers will be presented, omitting those that did not provide DWP.

Base: North America P/C insurance respondents providing IT budget information (n=48)
Source: Celent P/C Insurance Dimensions Survey 2025

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BUSINESS DRIVERS OF P/C INSURER IT SPENDING

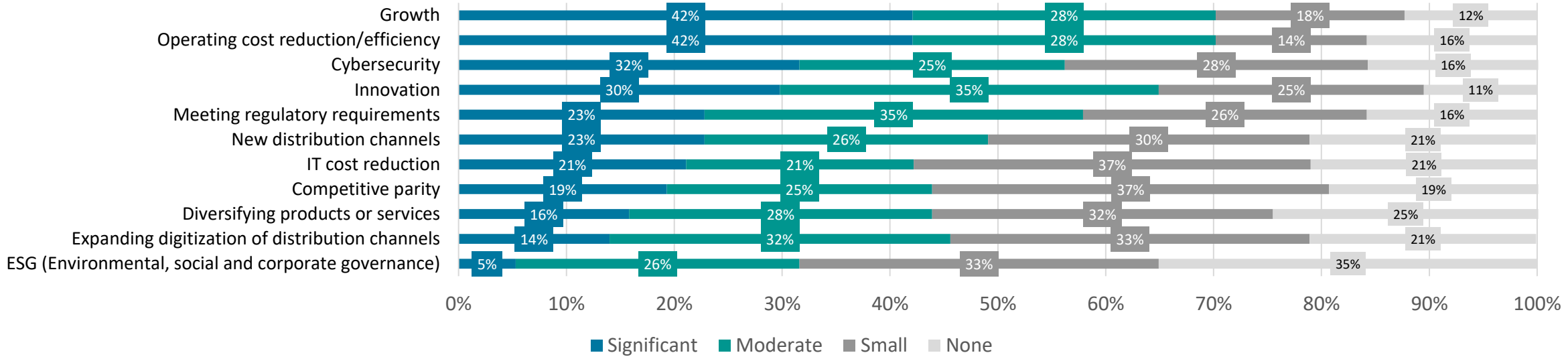
Key Goals and Barriers to Success



THE KEY BUSINESS GOAL FOR 2025: GROW, EFFICIENTLY

Insurers seek to simultaneously grow their business and control costs by optimizing processes. Cybersecurity and innovation are likewise major goals for the coming year. “Innovation” is likely to take the form of tactical fixes that improve efficiency and reduce costs and friction in transactions.

What level of influence do the following business goals have on your IT plans for 2025?



2025 INSIGHTS: INSURER BUSINESS PRIORITIES

- Growth and efficiency are twin top business goals for insurers in 2025. Faced with rising claims costs, regulatory limits on premium increase, and a challenging reinsurance environment, insurers are trying to grow or streamline their way through these issues—often both at the same time.
- Celent’s 2025 Previsory report predicted that this would be a year of “transformative efficiency” for P/C insurers, a process that’s not just about cost-cutting, but transforming internal processes with growth plans in mind.
- Innovation in 2025 is likely to be aligned with this overall growth-and-streamline strategy. Rather than taking speculative swings to upend existing insurance paradigms, this year’s innovation efforts will be smaller, targeted efforts to resolve problems that prevent operational excellence, even if these solves aren’t flashy.

COMPARISON AGAINST 2024 PRIORITIES

- 2025’s business goals look much the same as 2024’s—in fact, the top five areas are the same year-over-year.
- Supporting new distribution channels is a much higher priority for 2025 compared to 2024. One driver may be a renewed push to improve agent and customer experience, particularly in creating a truly omnichannel experience. Insurers in 2025 are preparing to support partners across any channel—which first means enabling every channel.

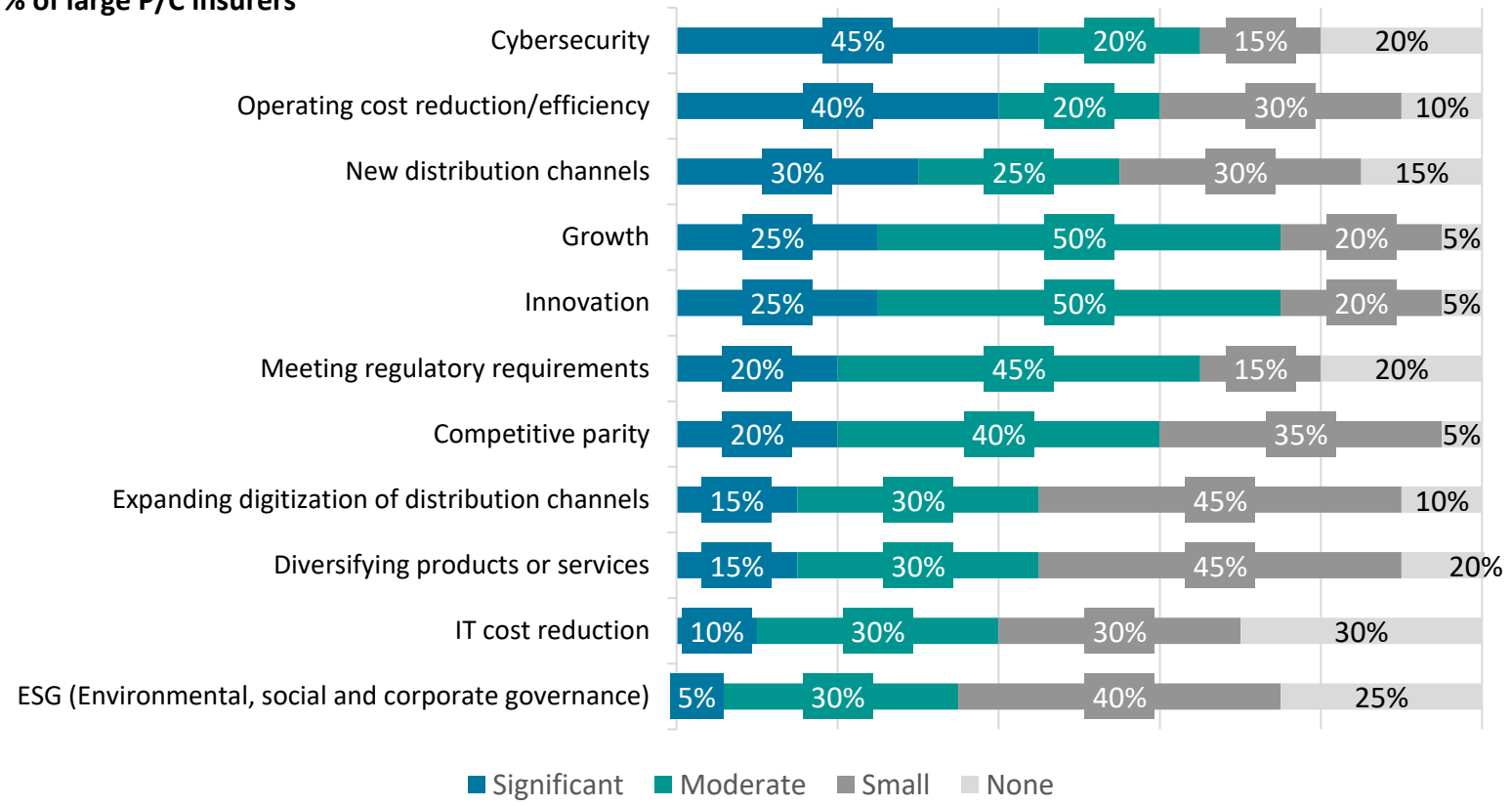
Source: Celent P/C Insurance Dimensions Surveys, 2025

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LARGE INSURERS ARE FOCUSED ON SECURITY, EFFICIENCY, AND DISTRIBUTION—THEN GROWTH

What level of influence do the following business goals have on your IT plans for 2025?

% of large P/C insurers



Base: Large North America P/C insurance respondents (n=20)
Question: *What level of influence do the following business goals have on your IT plans for 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

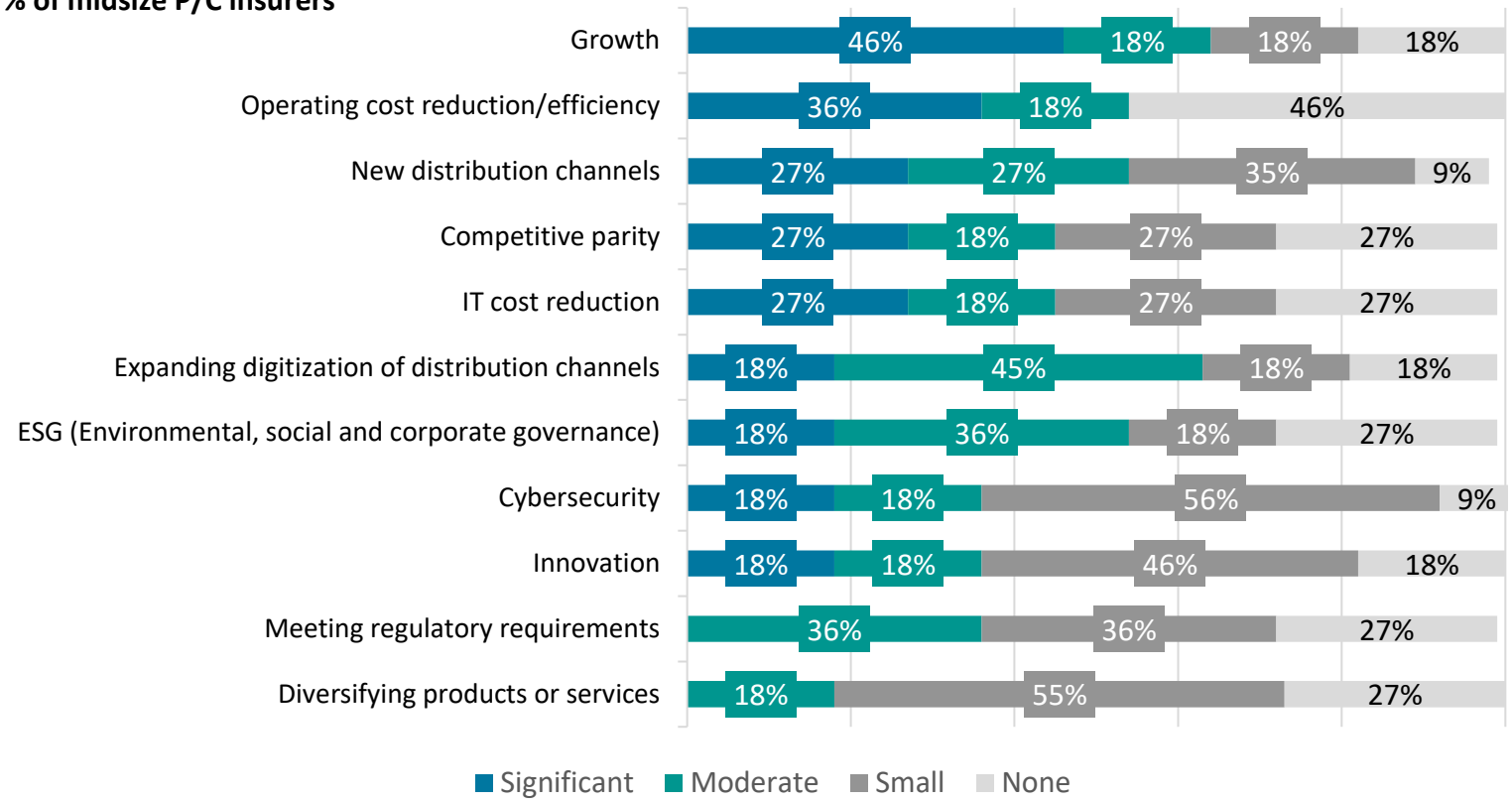
- The largest share of large insurers indicated that cybersecurity is the most important consideration for their 2025 IT activities. Many large insurers are managing large enterprise technology environments, which have only grown more complex as these insurers have shifted to cloud. Moreover, securing proprietary personal data is top of mind, especially as large insurers embrace generative AI and invest in business intelligence.
- Process optimization and cost control are also a prominent concern, with an ever greater percentage of insurers taking it into account. Insurers are looking to pair growth with cost savings by achieving greater efficiency in common business processes.
- Digital enablement of new distribution channels also ranks highly, reflecting insurers' interest in creating quality customer experiences for agents and brokers and maintaining competitiveness by reducing friction in application, quote, bind, and issue.
- Growth is listed as a "significant" factor by a smaller share of large insurers, but nearly all of them have it in mind to some degree.

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MIDSIZE INSURERS: GROWTH, THEN COST, THEN COMPETITIVENESS

What level of influence do the following business goals have on your IT plans for 2025?

% of midsize P/C insurers



- Growth is the priority for midsize insurers, with nearly half ranking it as having a significant impact on their 2025 IT plans.
- Operating cost reduction and enhancing efficiency ranks number two in the share of insurers placing it as a significant priority, but conversely, nearly half of midsize insurers insurers say it will have no impact on their 2025 IT plans. In other words, for insurers that consider the issue to be important, it's extremely important; there's a meaningful segment of the midsize insurer market that's keenly looking to streamline.
- Enabling new distribution channels and competitive parity also feature prominently. These are interrelated and further indicate midsize insurers' focus on growth as the key goal for 2025. New distribution channels support new sales, new territories, and higher volumes, while maintaining competitive parity and transaction ease is crucial to make sure those channel investments actually pay off with new business.

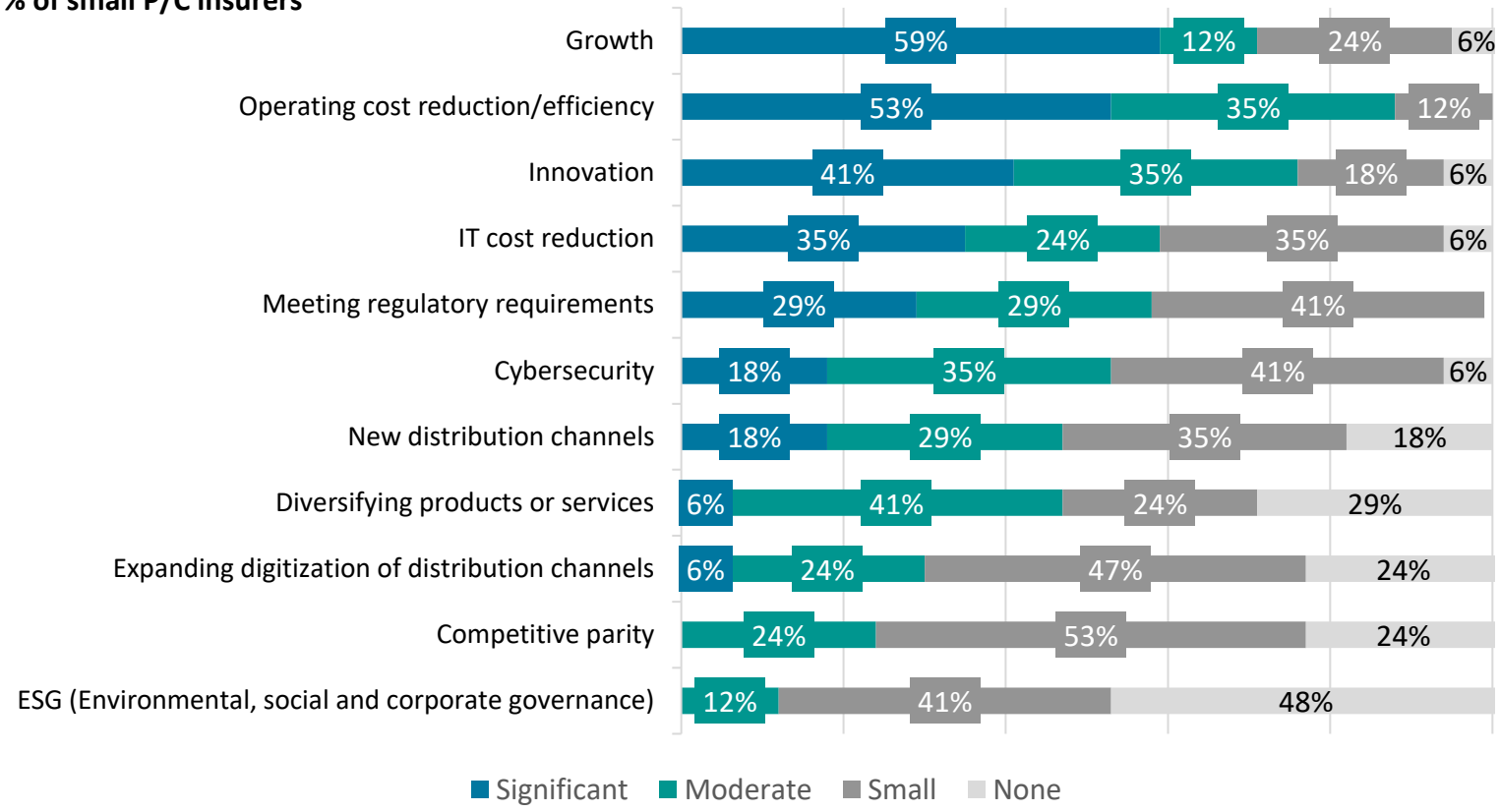
Base: Midsize North America P/C insurance respondents (n=11)
Question: *What level of influence do the following business goals have on your IT plans for 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

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SMALL INSURERS: GROWTH, EFFICIENCY, INNOVATION

What level of influence do the following business goals have on your IT plans for 2025?

% of small P/C insurers



Base: Small North America P/C insurance respondents (n=17)
Question: *What level of influence do the following business goals have on your IT plans for 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

- Enabling growth and reducing operating costs are the clear technology goals for small P/C insurers, with more than half listing each as a significant business goal for 2025.
- IT cost reduction is also a clear priority for smaller insurers, and IT budget numbers are trending down for them as well. This is a market segment that may be in cost-control mode.
- Altogether, these business goals paint a picture of a difficult sector with high competition pressure. If combined ratios are high, insurers have two options: sell more to grow out of the budget crunch, or streamline back to profitability. Notably, all small insurers said efficiency/cost reduction would impact their 2025 plans in some way.
- Innovation is also a high priority. Given smaller insurers' emphasis on cost control, this likely means "transformative efficiency"—that is, optimizing processes to reduce friction, then channelling that saved time back to support sales and growth.

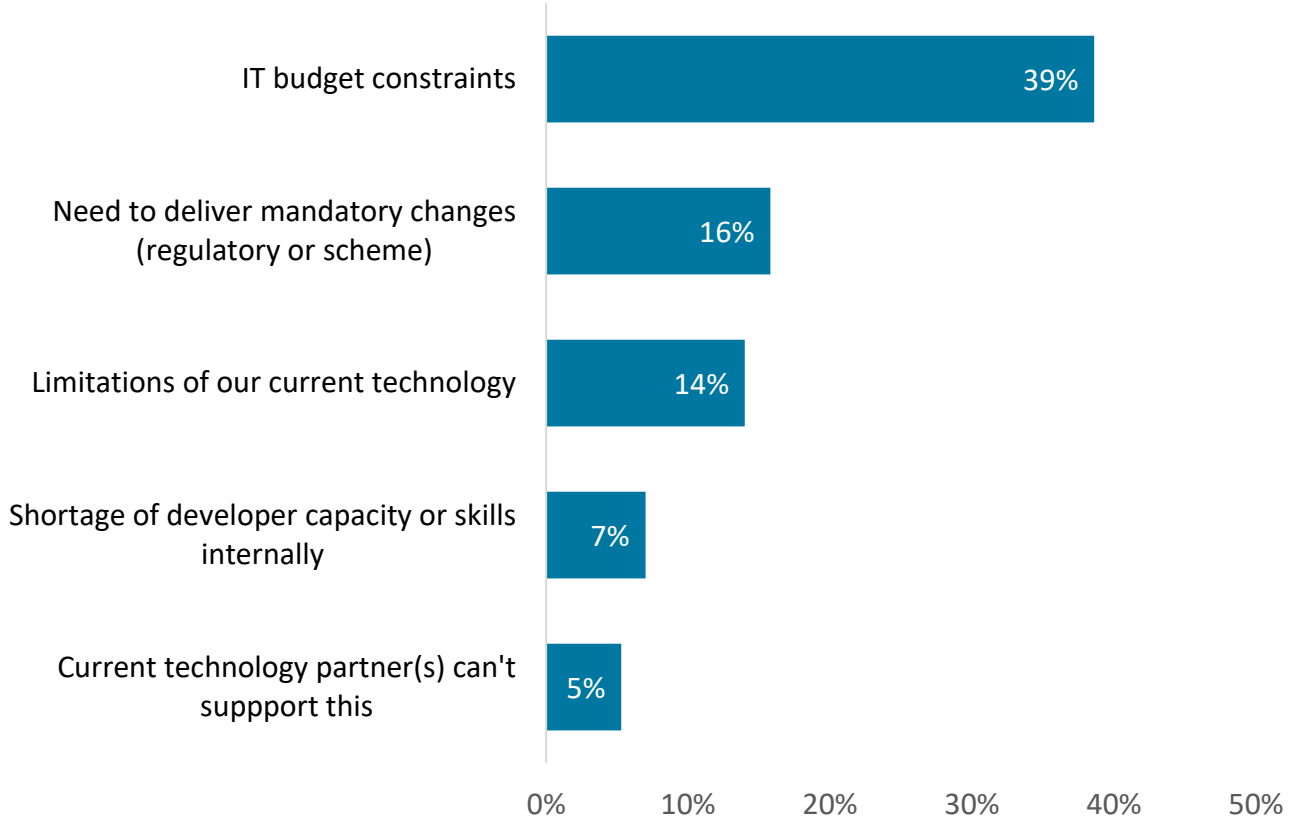
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IT BUDGET IS THE BIGGEST BARRIER TO ACHIEVING BUSINESS GOALS, BY FAR

Most P/C insurers have the technology and skills to deliver on strategic business goals—they just don't have the capacity to do everything at once.

Top Ranked Barrier to Achieving Business Goals

% of all P/C Insurers



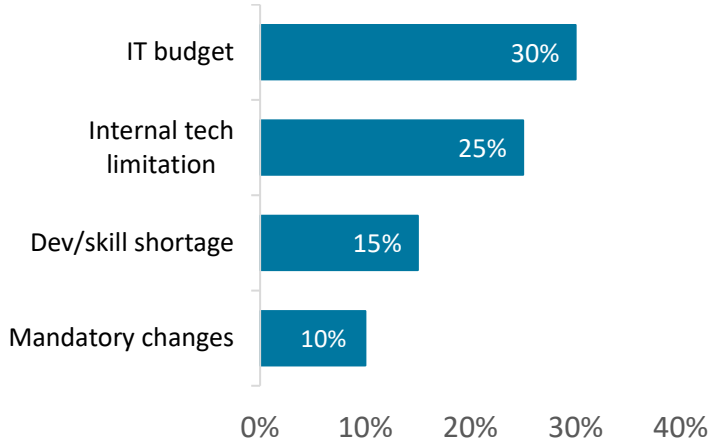
Base: All North America P/C insurance respondents (n=57)
Question: *Which of the following will be the biggest barriers to delivering your IT plans for 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

- Large, midsize, and small insurers all have differing secondary barriers. But the constant challenge for all three segments is budget constraints in IT, which require CIOs to balance large project portfolios against limited internal bandwidth.
- Mandatory change requirements also present difficulties for insurers, ranking as the top barrier for one in six. When regulatory obligations have to be met, nice-to-have projects naturally must be deprioritized.
- Somewhat surprisingly, internal technology limitations are less common as a top concern than budget or mandatory changes. Still, combined with partner limitations, nearly one in five insurers cite technology as a top limiting factor.
- The following were each listed as the top barrier by fewer than 4% of insurers:
  - Difficulty building business case
  - Lack of cooperation between business and IT
  - Lack of necessary subject-matter expertise
  - Product/CX enhancements are not a priority
  - Security concerns

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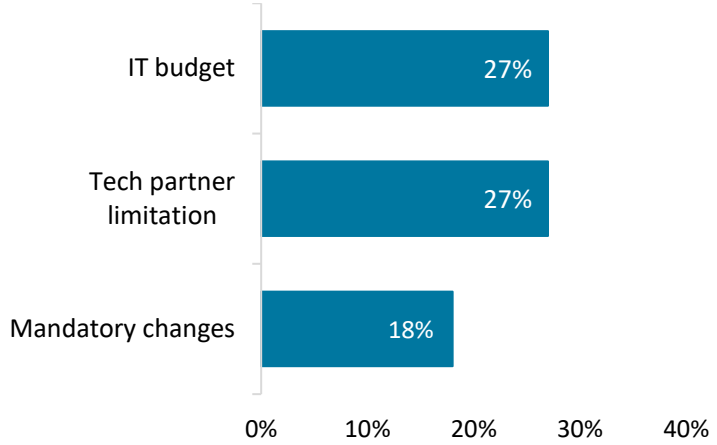
BARRIERS TO ACHIEVING BUSINESS GOALS BY INSURER SIZE COHORT

Large insurers are limited by budgets and internal technology, then skills and bandwith.



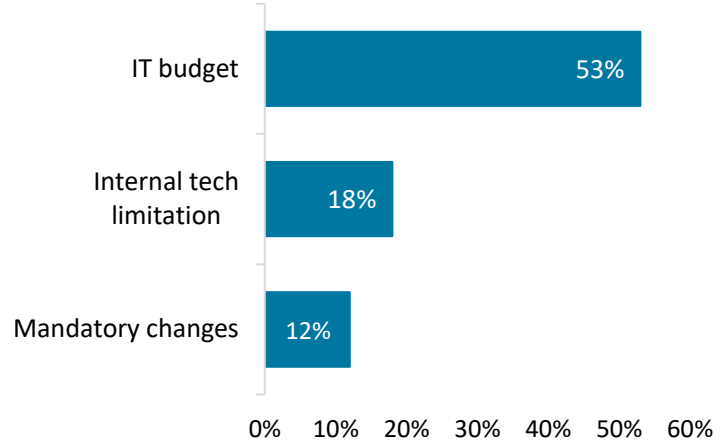
- Larger insurers tend to have well-funded IT functions for the size of their company, but managing the sprawling portfolios of a large carrier brings its own challenges, especially when that insurer has grown by acquisition and may be managing or integrating a number of different technology environments.

Midsize insurer barriers are balanced between budget, tech partners, and compliance.



- Midsize insurers are more likely to be limited by their technology partners than either their smaller or larger counterparts.
- These insurers can sometimes be in the awkward position of needing partners to add IT capacity (especially during transformation efforts) but being too small to wield much leverage over IT service providers or software vendors.

Smaller insurers are overwhelmingly limited by their IT budgets.



- IT budgets at smaller insurers can run up against the absolute limits of funding technology at a smaller company. Even an IT function that is well-funded relative to peer institutions may be capped at $10 or $15 million per year, which only goes so far.
- Budget concerns may also subsume some tech or talent challenges. With unlimited funds, CIOs could naturally buy their way out of tech debt and compete for top talent.

Base: North America P/C insurance respondents (n=20 large insurers, 11 midsize insurers, and 17 small insurers)
Question: *Which of the following will be the biggest barriers to delivering your IT plans for 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

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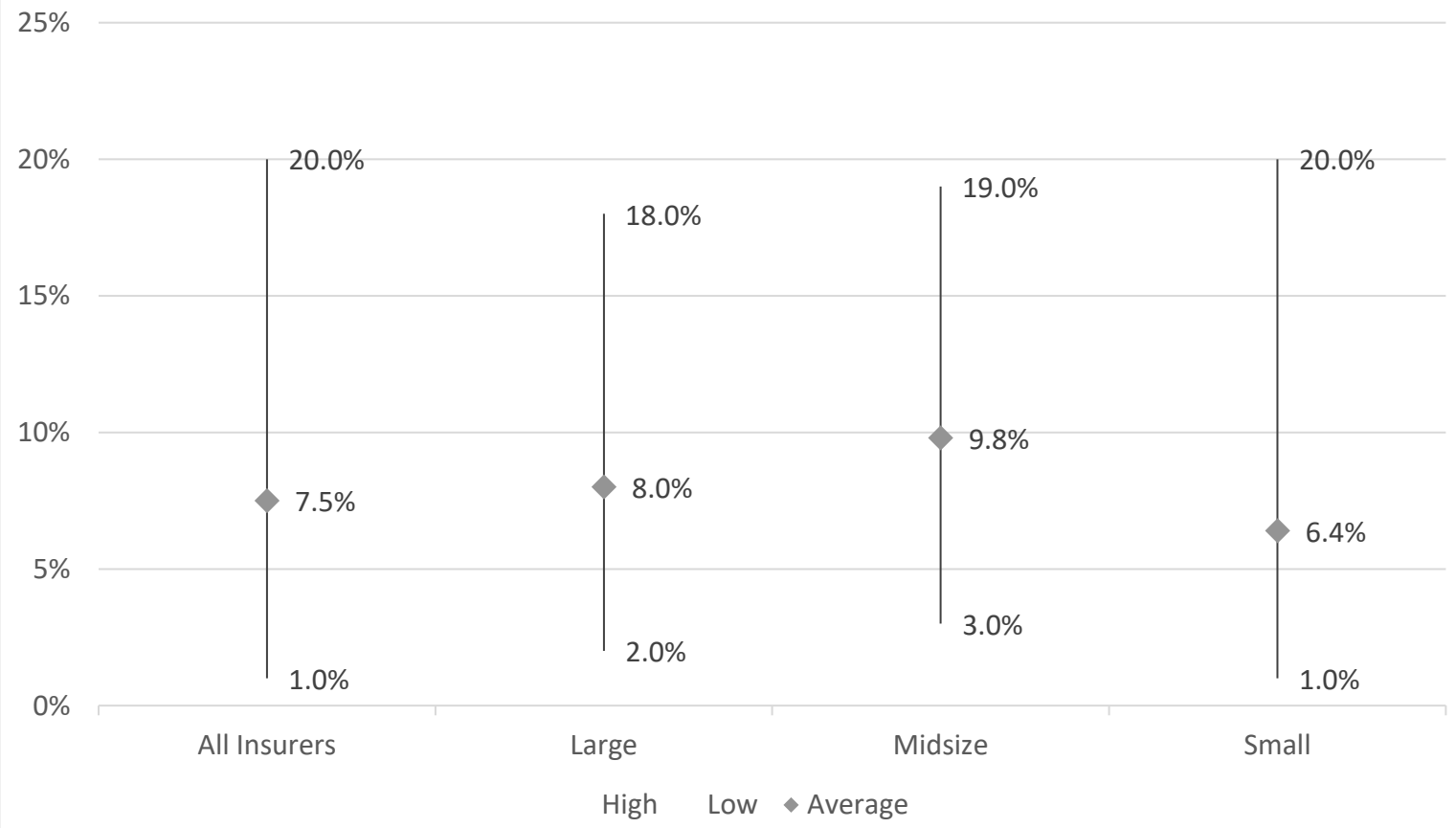
IT BUDGETS, CHANGES, AND ALLOCATIONS



P/C INSURER IT BUDGETS CONTINUE UPWARD TREND ON AVERAGE

Large and midsize spend is up year-over-year, but smaller insurers' budgets have contracted relative to 2023 spending levels.

Insurer IT Budget as a Percentage of Annual Written Premium



- Insurer IT budgets are expressed as a percentage of that particular insurer's annual written premium. For example, a $1 billion insurer with an annual IT budget of $50 million would have an IT budget that is 5% of direct written premium.
- Depicting IT budgets as ratios allows for easier comparison among insurers of the same size segment that nonetheless vary in overall company size.
- Compared to prior years, insurers' 2024 funding levels reflect continued growth from the averages of earlier years (6.1% in 2023 and 4.7% in 2022).
- Both large and midsize insurers' average IT spend also increased from 2023 levels (5.3% to 7.5% and 4.7% to 8%, respectively), fueling the growth across the P/C sector.
- However, smaller insurers' IT spending levels dropped in 2024, down to 6.4%. This is particularly driven by Tier 4 insurers, whose 2024 average budgets stand at 4.7%. Tier 5 insurer funding levels are virtually identical from 2023 to 2024.

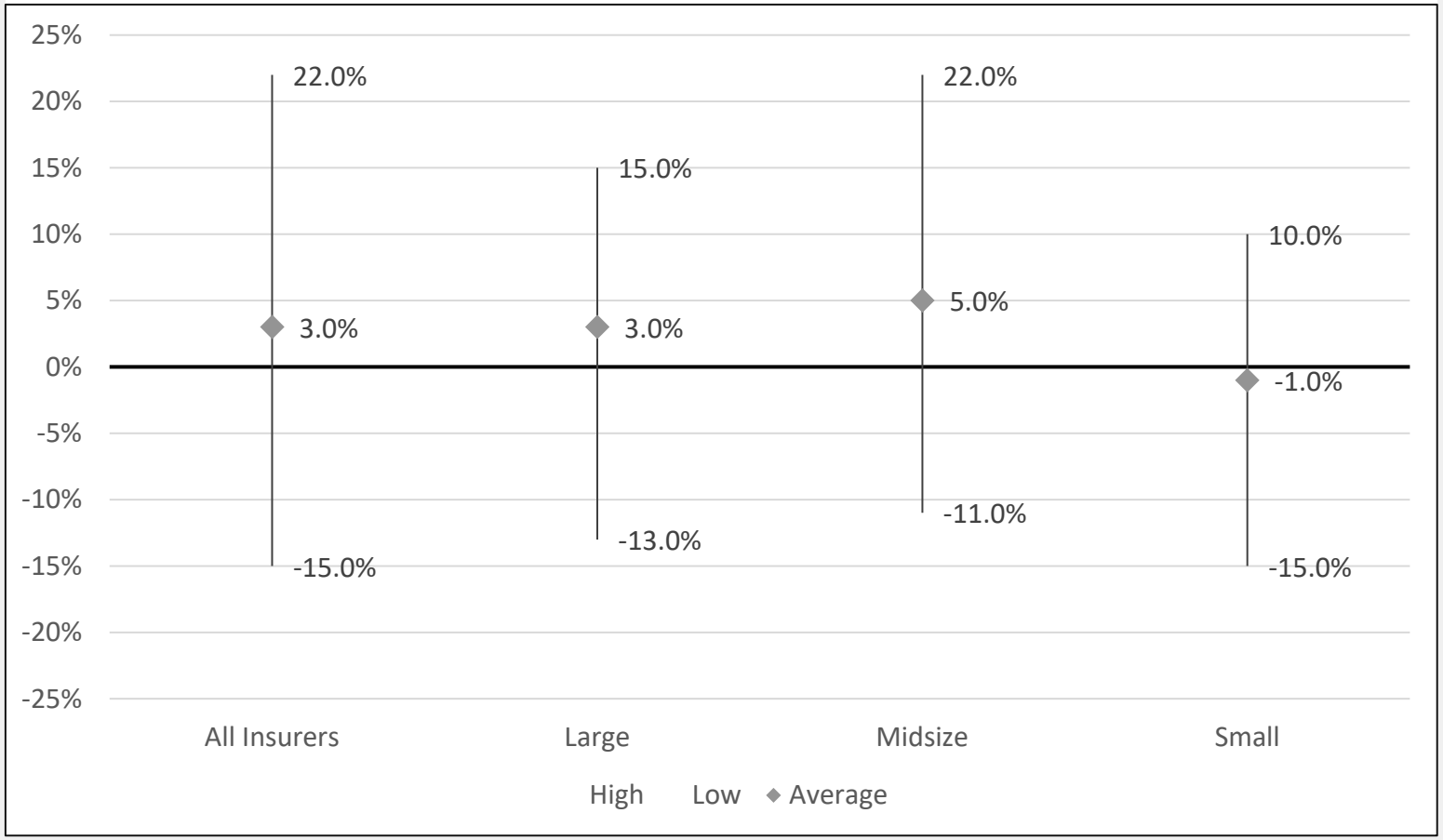
Base: North America P/C insurance respondents (n=20 large insurers, 11 midsize insurers, and 17 small insurers)
Question: *What was your IT budget as % of annual Direct Premium Written (DWP) for 2024?*
Source: Celent P/C Insurance Dimensions Survey 2025

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2025 INSURER IT BUDGETS CHANGES: RISING SLIGHTLY ON AVERAGE

Large and midsize budgets are projected to increase 3% and 5% on average respectively. IT budgets for smaller insurers look to contract slightly, with Tier 4 insurers accounting for the downtick.

Insurer IT Budget Changes for 2025 (% change against 2024 budget)



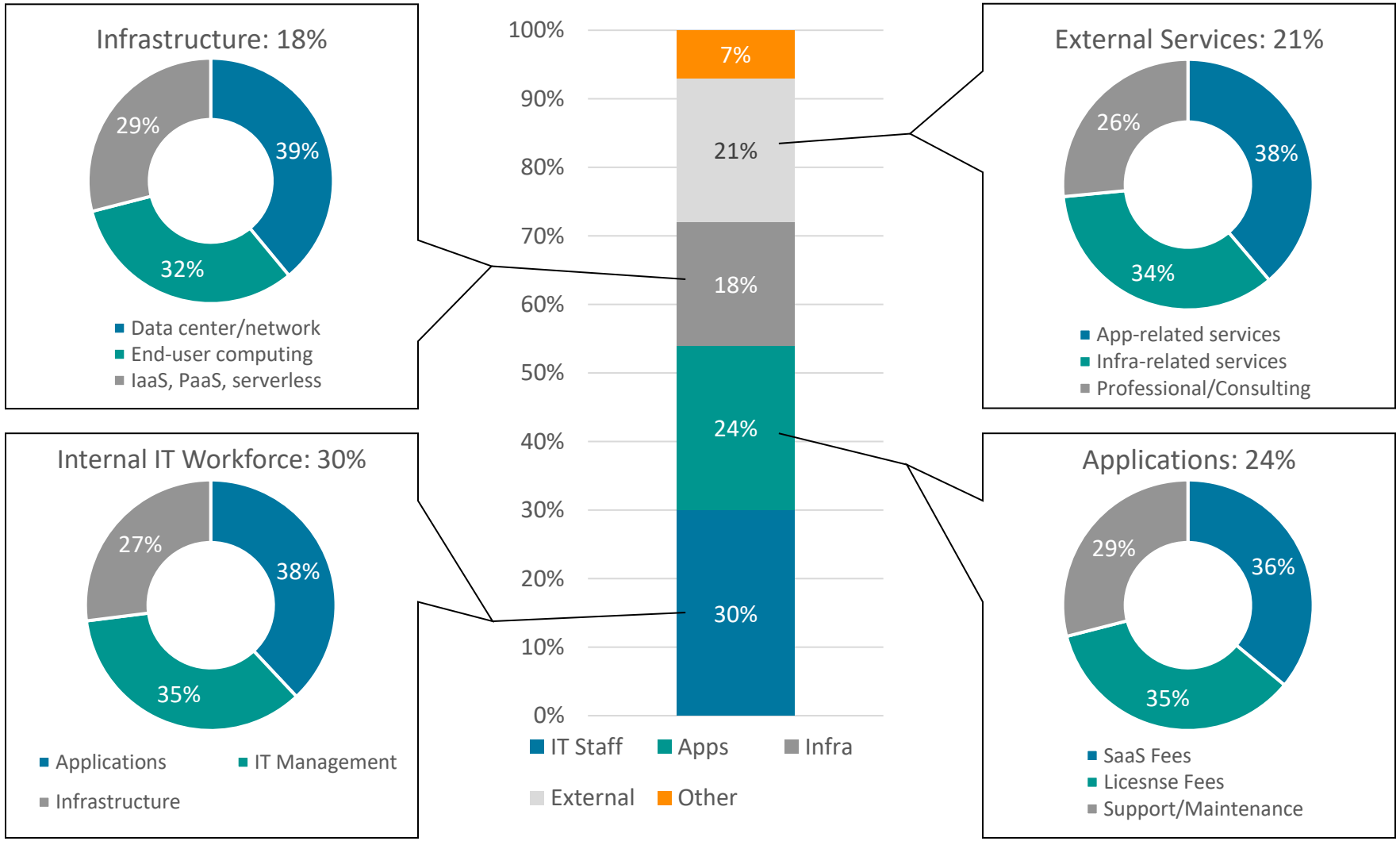
- Insurer budget increases from 2024 to 2025 are expressed as a percentage increase or decrease from 2024 levels. Maximum increases and decreases are also given for P/C insurers as a whole and within each size segment.
- The average increase among all P/C insurers is 3%—less than the 7.5% increase from 2023 to 2024, but in line with the 3.2% average increase from 2022 to 2023. This is roughly level with 2024 inflation rates.
- Small insurers' average IT budgets are forecast to shrink in 2025. As with overall IT spending levels, this is driven by Tier 4 insurers ($100–$500 million), whose average reduction is 2% compared to 2024. Tier 5 insurers' funding will stay level (0% change) on average.
- Especially large increases or decreases in IT funding rates can result from a range of factors, but most commonly occur when major transformation efforts begin or end. As with overall spending levels, the question insurers should ask is not if they're spending "too much" on IT, but if they're funding their technology functions appropriately given the benefits they'd like to achieve.

Base: North America P/C insurance respondents (n=20 large insurers, 11 midsize insurers, and 17 small insurers)
Question: *What is the projected percentage change of your IT budget from 2024 to 2025?*
Source: Celent P/C Insurance Dimensions Survey 2025

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2025 INSURER IT BUDGETS ALLOCATIONS ACROSS EXPENSE CATEGORIES

Insurers' 2025 budget breakdowns look very much like they have in prior years, with roughly 30% spent on internal staff, 25% on software, and 20% each on infrastructure and external services.



- The charts on this page show how P/C insurers' IT budgets break down across spending categories and across components within each of those categories.
- Percentages shown are averages among all P/C insurers. Large, medium, and small insurers correspond very closely to the overall industry average regardless of company size.
- One notable variation is that larger insurers spend slightly less proportionally on IT management, and smaller insurers slightly more—reflecting that some IT staff costs can't be minimized with larger scale.

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IT INVESTMENT PRIORITIES

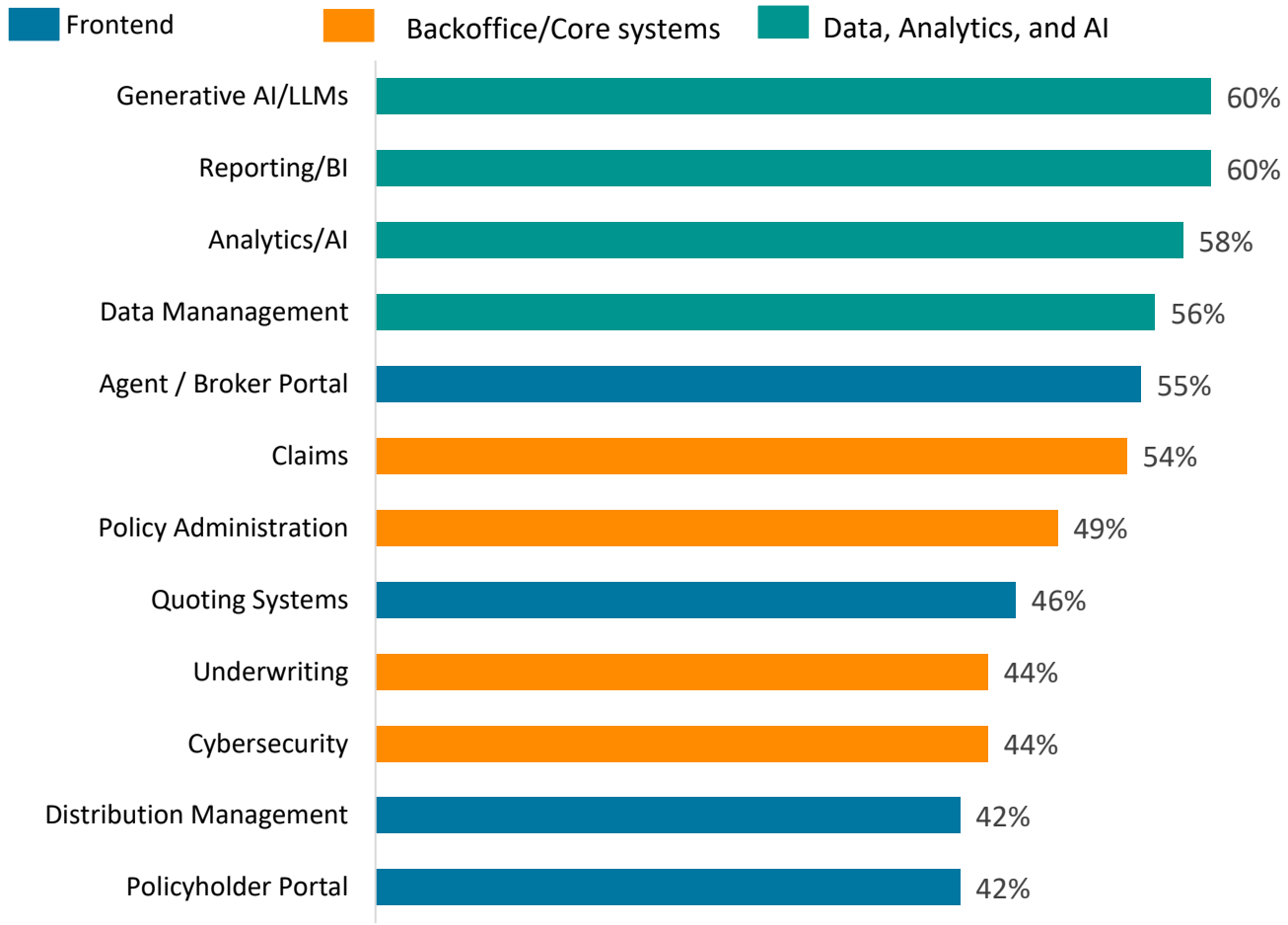
2025 Replacement and Enhancement Activity for Insurer Systems



P/C INSURERS' 2025 IT INVESTMENT PRIORITIES: DATA, DATA, DATA, AND DATA

Generative AI, business intelligence and reporting, analytics and traditional AI, and data management lead P/C insurer IT efforts in the coming year. Data capabilities are critical not just for next-gen insights, but to modern features of core systems, quick quote, and systems of engagement.

Top Investment Projects for 2025, All P/C Insurers (% of Insurers with Planned Investments*)



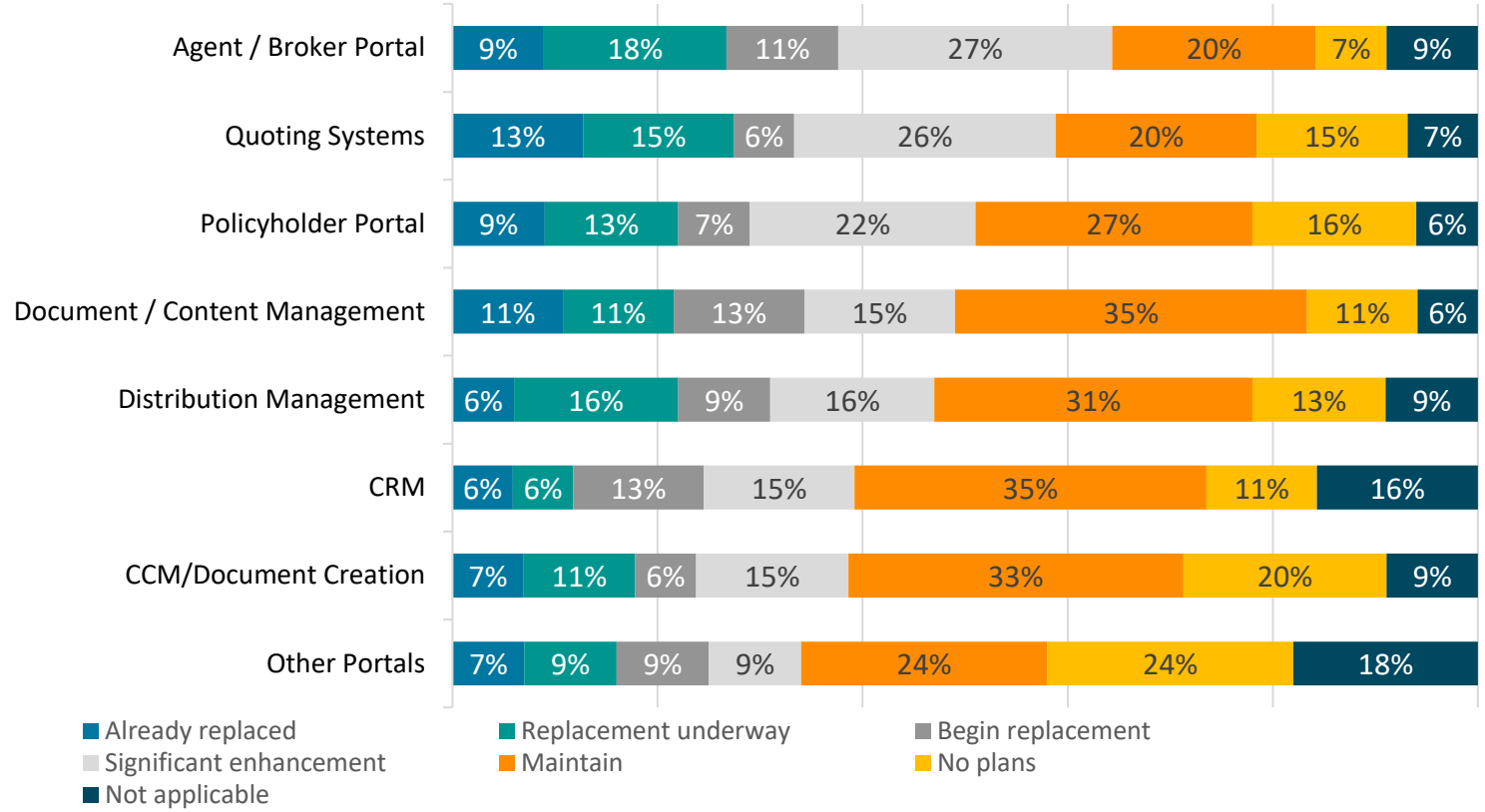
- P/C insurers' clear top priority for 2024 is data. Generative AI is naturally a leading investment target, but reporting and BI are equally important. These two capabilities are interrelated: quality, accessible data is necessary to support training in-house LLMs, and GenAI can surface new insights if enterprise data is clean and available.
- Investment in analytics and traditional forms of AI are also an area of focus. Taken with reporting and business intelligence capabilities, these can synergize to support growth goals by improving pricing, risk selection, and profitability. They can also support faster processes when made available through modern BI tools like dashboards or when integrated into underwriting workflows.
- Frontend investments in agent and broker portals and quoting systems are likewise growth plays, which can support faster quote, bind, and issue.
- Investments in claims and policy admin systems can support efficiency goals. Modernizing underwriting systems can support straight-through processing and improve risk selection.
- Really, though, the story for P/C insurers is data, which makes sense: data is the ultimate foundation for all other capabilities insurers are trying to deliver through tech investments.

Base: All North America P/C insurance respondents (n=57)
Questions: *Application Portfolio Plans: What will you do in 2025 for each of the following?* *represents the % of insurers who are beginning replacement, have replacement under way, or are significantly enhancing systems
Source: Celent P/C Insurance Dimensions Survey 2025

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INSURERS ARE INVESTING IN FRONTEND SYSTEMS TO SUPPORT GROWTH GOALS

Planned Investments in Frontend Components, 2025



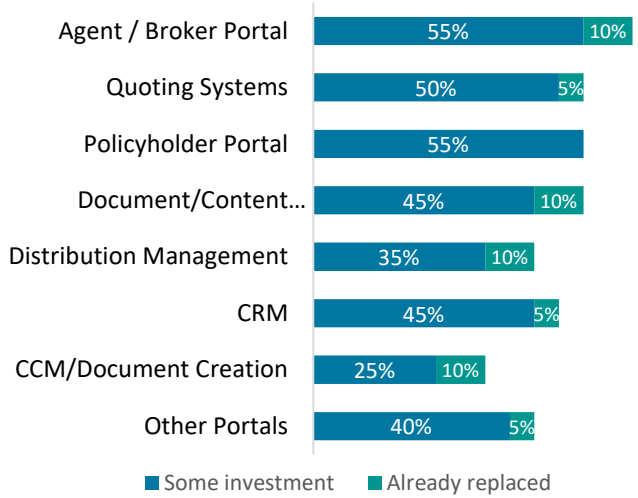
- P/C insurers' top targets for investment in 2025 are agent/broker portals and quoting systems, with more than half of insurers planning replacements or enhancements to distributor portals and nearly half targeting quoting systems.
- In both cases, investment in these areas signals insurers' commitments to achieving the growth goals their business partners want them to deliver. Enhanced capabilities in these systems can support quick-quote capabilities, straight-through processing, and faster bind and issue, all of which can help improve application throughput, support premium growth, and improve ease of doing business.
- Compared to 2024, an even higher share of insurers are investing in agent and broker portals (56% in 2025 compared to 53% in 2024). The same is true for quoting systems (47% to 41%).
- Policyholder portals are also an area of activity, though less so than agent and broker portals—as is typically the case for P/C insurers.

Base: All North America P/C insurance respondents (n=57)
Question: *Application Portfolio Plans: What will you do in 2025 for each of the following?*
Source: Celent P/C Insurance Dimensions Survey 2025

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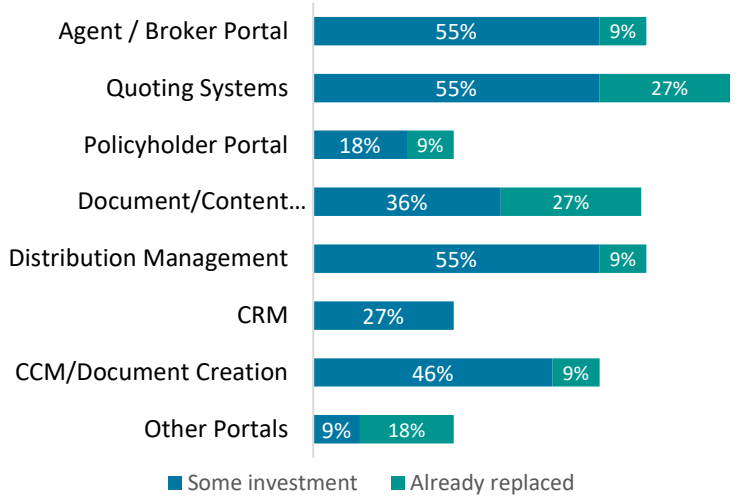
FRONTEND COMPONENT INVESTMENT BY SIZE OF INSURER

Large Insurers



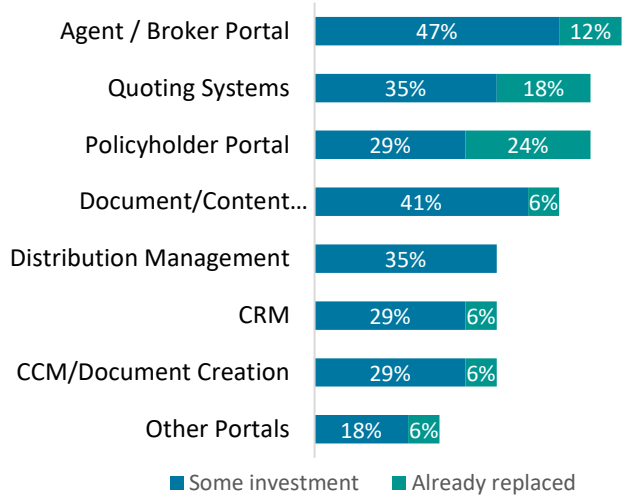
- Large insurers are heavily investing in portals and quoting systems, reflecting their growth goals and desire to support new business channels.
- Document management and CRM are not far behind, as large insurers seek to support high-quality user experience that requires consistent messaging and the ability to track customer data across lines of business.

Midsize Insurers



- Compared to their larger and smaller counterparts, midsize insurers are investing much more actively in distribution management and document creation/ customer communication management systems.
- The former can help support expanding agent forces, while the latter can support consistent messaging across platforms.

Small Insurers

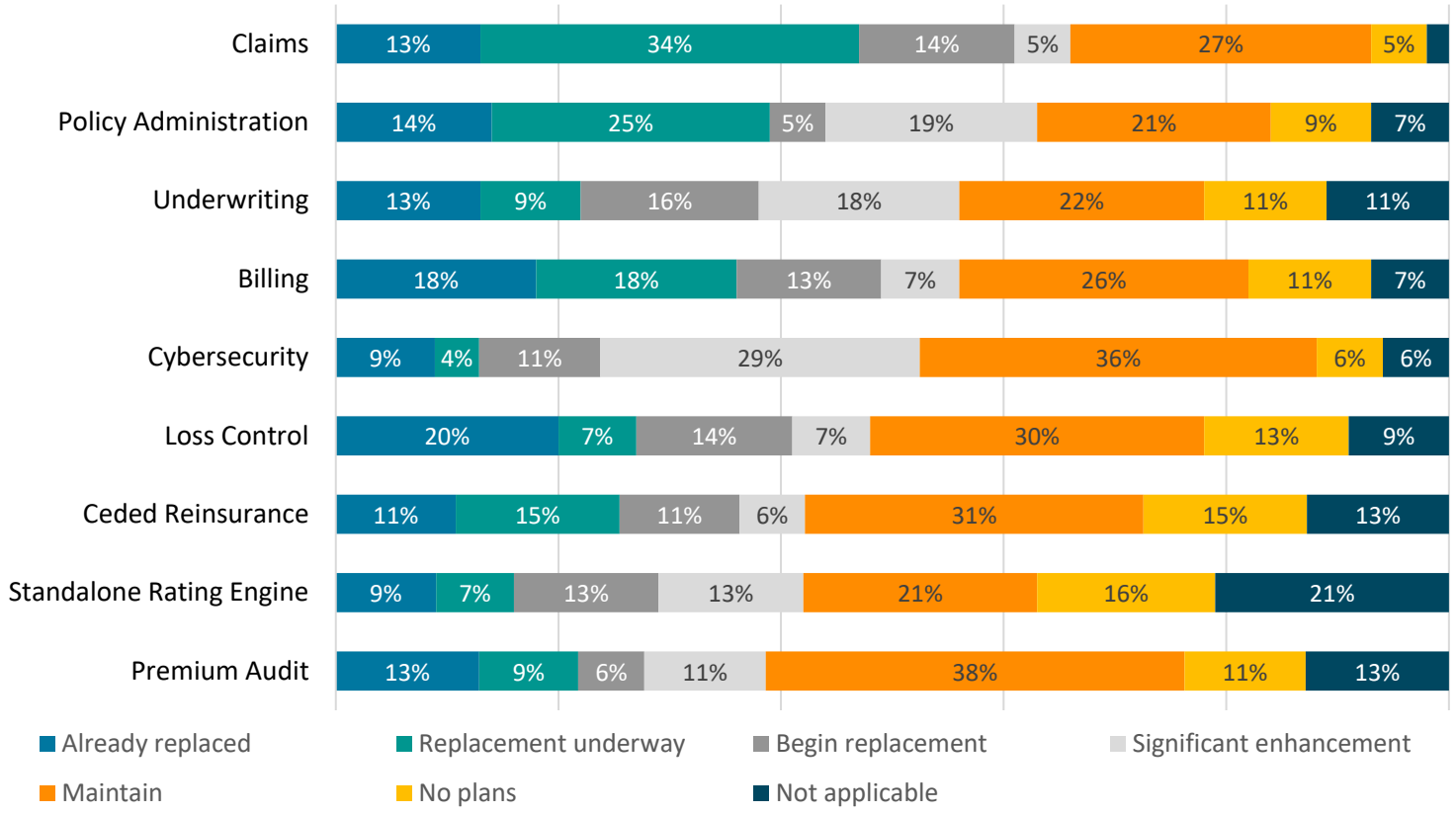


- Smaller P/C insurers are generally investing in their systems of engagement at more modest rates than larger insurers.
- Many smaller insurers are also trying to support substantial investment in core policy admin or improved data capabilities. With more limited IT budgets, there's only so much investment that can be supported. However, data investment is crucial for supporting many quote and portal capabilities, so this prioritization makes sense.

Base: North America P/C insurance respondents (n=20 large, 11 midsize, and 17 small insurers)
Question: *Application Portfolio Plans: What will you do in 2025 for each of the following?;* *represents the % of insurers who are beginning replacement, have replacement underway, or are significantly enhancing systems
Source: Celent P/C Insurance Dimensions Survey 2025
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CLAIMS AND POLICY ADMINISTRATION SYSTEMS LEAD INSURERS' 2025 CORE INVESTMENTS

Planned Investments in Core System Components, 2025



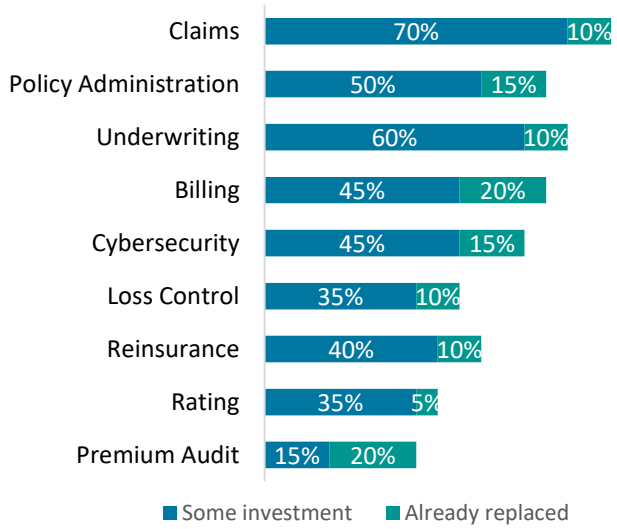
- Claims investments are the top target for P/C insurers' 2025 core system activity. The bulk of these efforts is ongoing replacement activity which began in 2023 and 2024.
- Claims systems have been popular targets, especially among larger insurers, as a way to try to control costs by streamlining claims adjustment, making data more available, and identifying areas of potential claims leakage.
- Policy administration system investments are mostly split between ongoing replacement activity and significant enhancements (in some cases, continuing to bring features of a recently-implemented PAS online).
- Underwriting systems are the most popular target for new replacement efforts in 2025, with roughly one in six insurers indicating they plan to begin replacing these systems this year.

Base: All North America P/C insurance respondents (n=57)
Question: *Application Portfolio Plans: What will you do in 2025 for each of the following?*
Source: Celent P/C Insurance Dimensions Survey 2025

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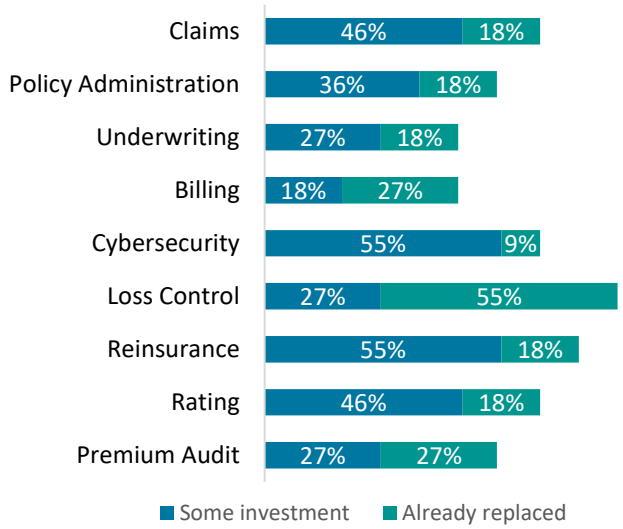
CORE INVESTMENT BY INSURER SIZE

Large Insurers



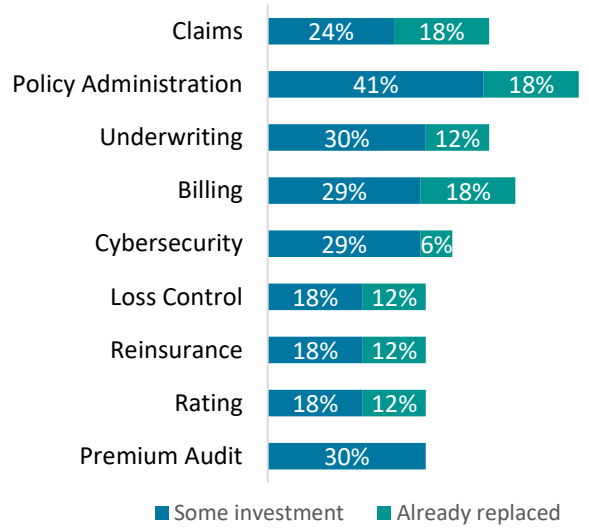
- Large P/C insurers are making substantial investments in all their major core systems—most notably claims, but with underwriting and PAS systems not far behind. These are generally ongoing replacements or significant enhancements.
- Cybersecurity, a key business priority for large insurers, is also an area of activity. Mostly these are enhancements, but 10% of large insurers are planning a new replacement to begin in 2025.

Midsize Insurers



- In addition to ongoing replacement efforts for claims and policy administration systems, midsize insurers look to be starting new replacements for cybersecurity systems at a high rate (18%).
- Ceded reinsurance is another area of focus. Many midsize insurers hit by rising claims costs are strained between the premium increases they can pass on to policyholders and the rates they receive from reinsurance partners. Investment here reflects efforts to navigate an increasingly complex space.

Small Insurers



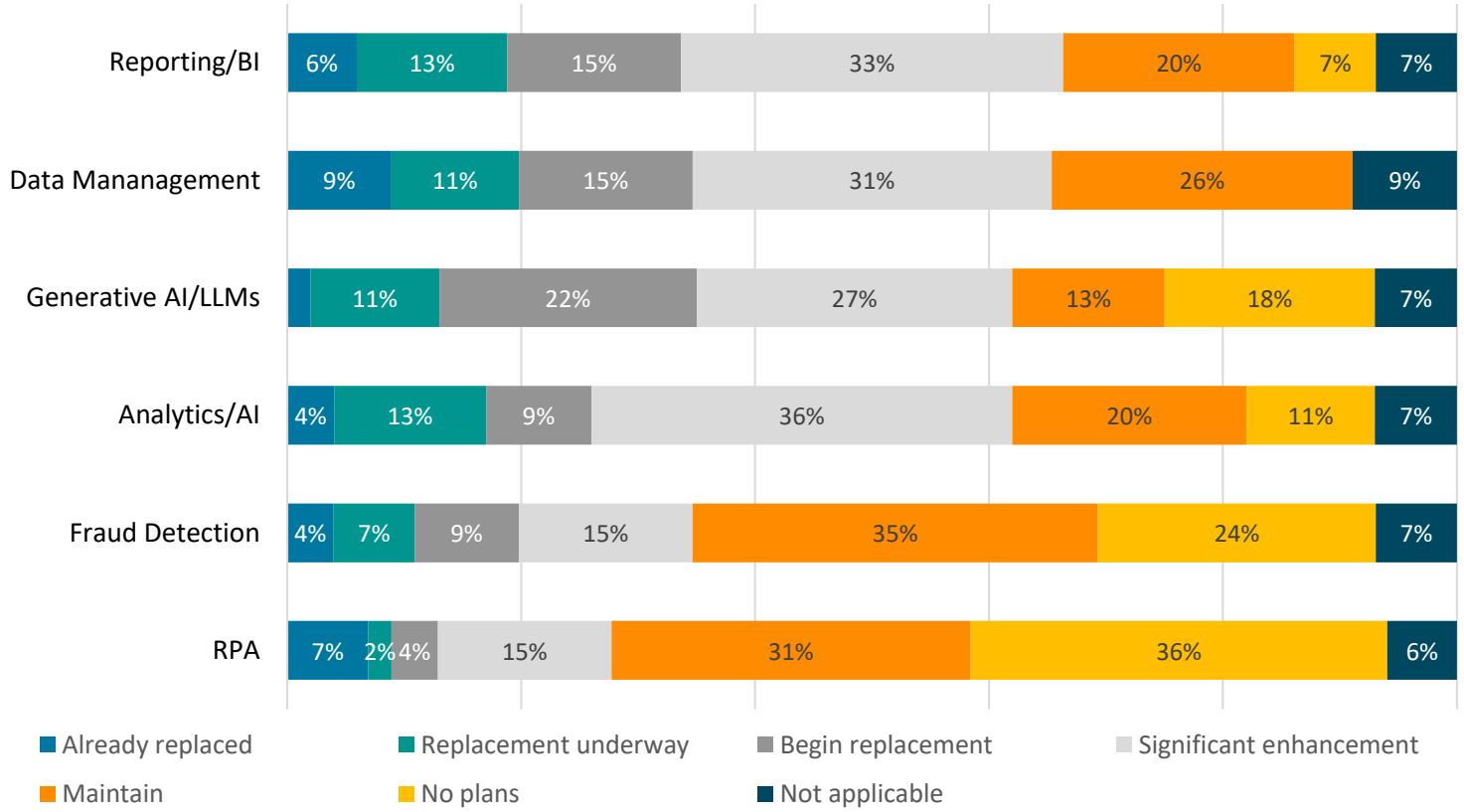
- Smaller insurers' core efforts are predominantly focused on core policy administration, where activity is roughly split between ongoing replacements and significant enhancements.
- As with frontend systems, smaller insurers have lower levels of investment activity in core systems, compared to their larger counterparts. Their largest areas of investments are data and analytics systems.

Base: All North America P/C insurance respondents (n=57)
Source: Celent P/C Insurance Dimensions Survey 2025

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INSURERS PLAN MAJOR ENHANCEMENTS TO DATA SYSTEMS IN 2025

Planned Investments in Data Components, 2025



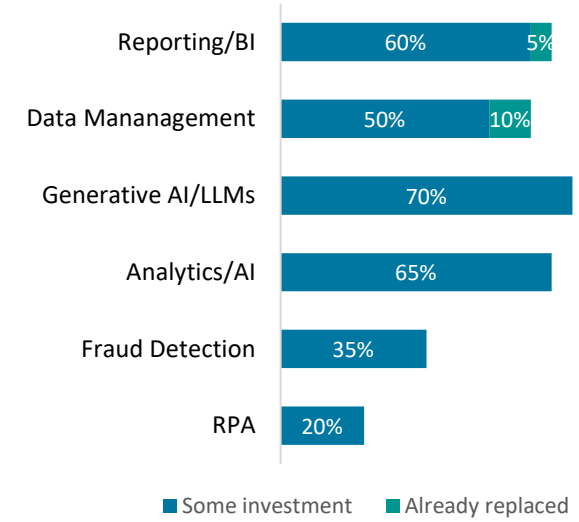
- Insurers' most active area of investment for 2025 is in data systems and capabilities, with more than half of insurers planning activity in reporting/business intelligence, data management, generative AI, and analytics in the coming year.
- Generative AI is the most popular area for new investment, with nearly a quarter of all insurers kicking off "new replacement" efforts (that is, experimenting with GenAI or putting it into production for the first time).
- Reporting, data management, and analytics and traditional forms of AI are likewise priority areas. Enhancing capabilities in these areas can create downstream benefits across the enterprise, as better data improves insurers' ability to offer quick quotes or straight-through processing, among other capabilities.
- RPA, which enjoyed a meteoric rise in the late 2010s, has now entered a holding pattern, as most insurers who want to implement it have done so. Future-forward capabilities that leverage AI may begin to supplant RPA in some areas.

Base: All North America P/C insurance respondents (n=57)
Question: *Application Portfolio Plans: What will you do in 2025 for each of the following?*
Source: Celent P/C Insurance Dimensions Survey 2025

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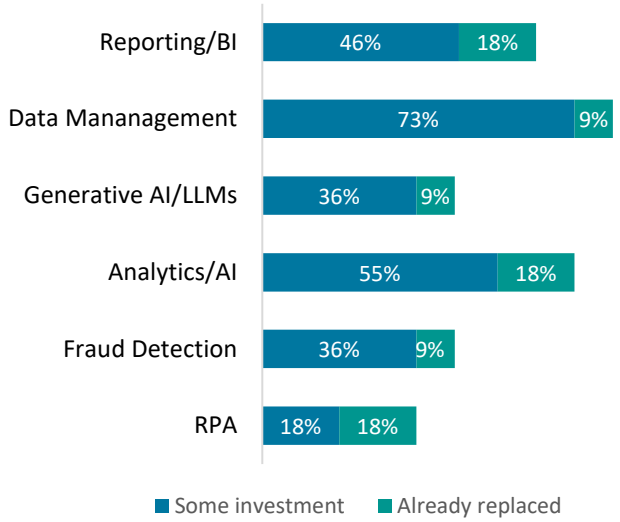
DATA AND ANALYTICS INVESTMENT BY INSURER SIZE

Large Insurers



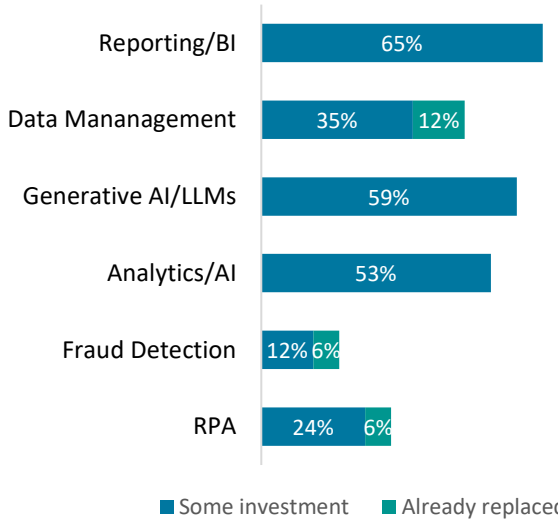
- Generative AI is the major area of investment for larger insurers, as they leverage their mature internal data science functions to create competitive advantages.
- Other data capabilities are certainly not being neglected, as reporting, analytics, and data management are all priority systems as well. The latter in particular supports large insurers' security and regulatory compliance goals.

Midsize Insurers



- Data management and analytics are the key areas of investment for midsize insurers, as they seek to get their data houses in order to support more advanced capabilities across the enterprise.
- Relatively fewer midsize insurers plan active investment in generative AI for 2025. Roughly a quarter of midsize insurers feel their GenAI capabilities are already in good shape ("already replaced" or plan to "maintain").

Small Insurers



- Reporting, GenAI, and analytics are the most substantial areas of investment for smaller insurers, with more than half investing in each area.
- In spite of the enthusiasm for generative AI across the larger P/C sector, and among smaller insurers specifically, more than a third of small insurers are sitting it out this year: 18% have no plans and a further 18% feel GenAI doesn't apply to them.

Base: North America P/C insurance respondents (n=20 large, 11 midsize, and 17 small insurers)
Source: Celent P/C Insurance Dimensions Survey 2025

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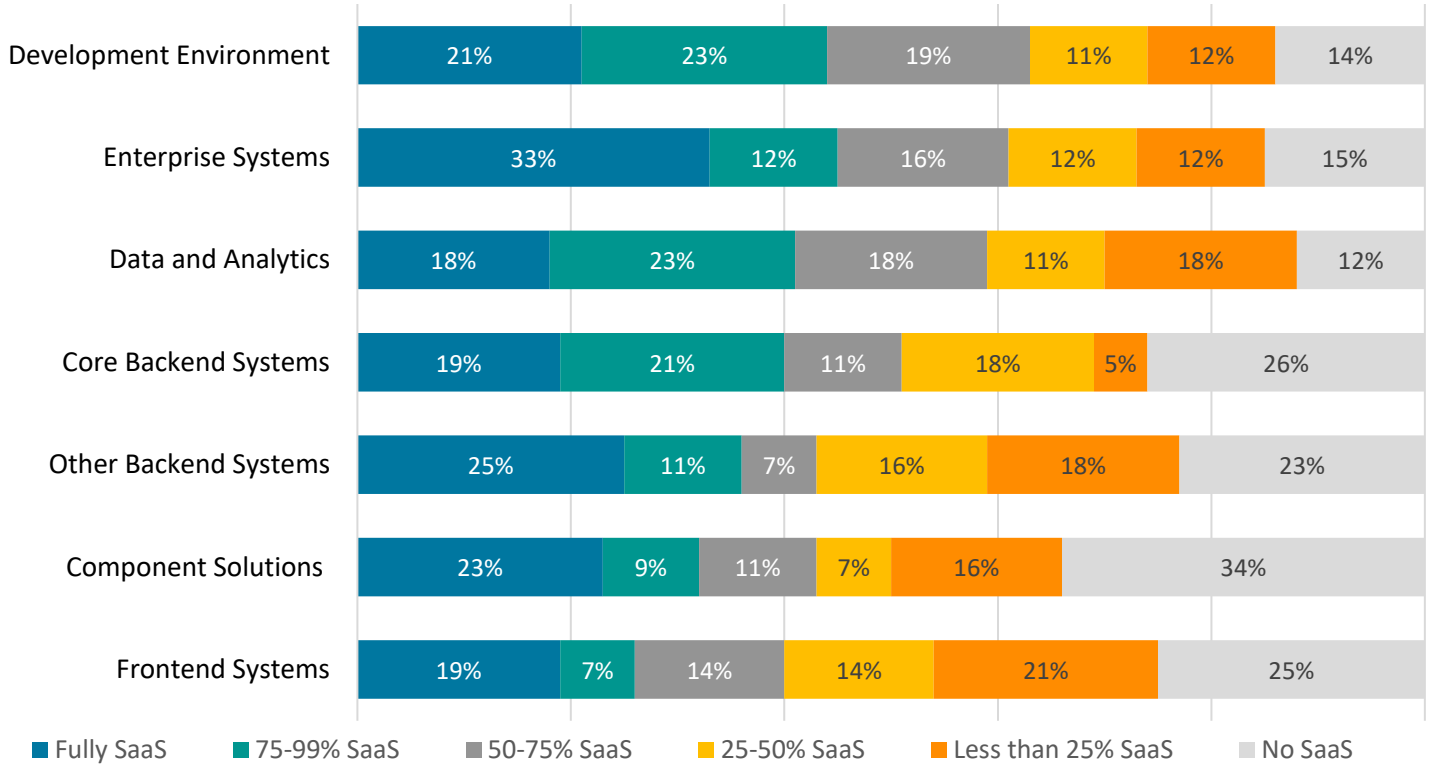
CLOUD AND OPEN INSURANCE



P/C INSURERS' CLOUD MIGRATION CONTINUES

One in three insurers now have enterprise systems fully SaaS. Cloud is the clear preferred environment for new core system efforts.

Current Cloud Utilization by System Type



- Insurers continue to expand their use of cloud systems as part of transformation efforts. While few insurers are fully cloud-based, particularly not for all systems, many have shifted larger and larger proportions of their portfolios to SaaS solutions.
- Data and analytics systems deployed in the cloud can take advantage of cloud computing power to more easily process unstructured data and can make use of on-demand compute when processing complex operations. Nearly all insurers have at least some of their data systems on the cloud.
- Core systems are increasingly deployed on the cloud as large and midsize insurers select solution providers that have SaaS-based core systems and suites.
- Cloud utilization for other systems varies according to suitability and convenience. Enterprise systems can be turned on conveniently, although some midsize and small insurers may have legacy solutions in place that are toward the bottom of their priority queue.
- There's a clear preference for cloud for development environments.

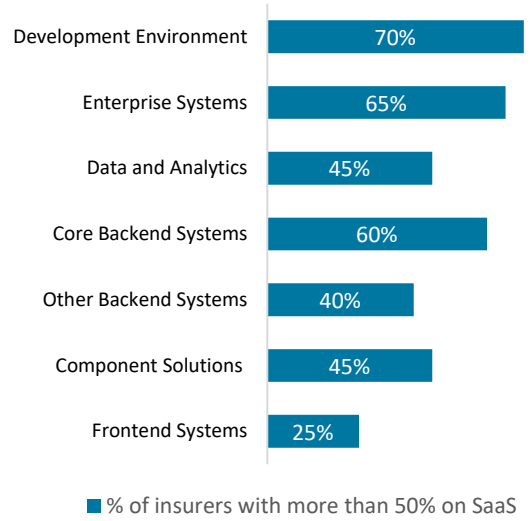
Base: All North America P/C insurance respondents (n=57)
Question: *For each of the following seven categories, what is your current status of SaaS (private/public cloud) deployments based on number of systems?*
Source: Celent P/C Insurance Dimensions Survey 2025

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SAAS ADOPTION BY SYSTEM VARIES SUBSTANTIALLY ACCORDING TO INSURER SIZE

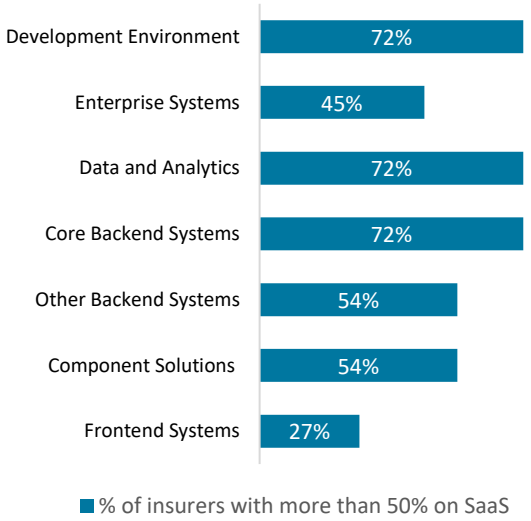
Large and midsize insurers have targeted cloud environments for core transformations, and a considerable proportion now have 50% or more of their core backend on SaaS systems. Smaller insurers have been more limited in their adoption of cloud and have focused more on data and frontend systems.

Large Insurers



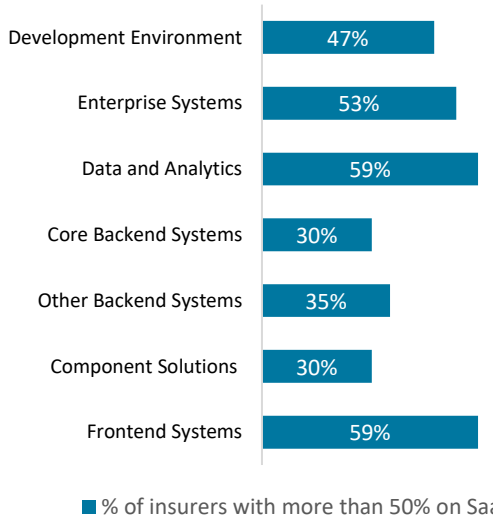
- Substantial proportions of large insurers are on SaaS-based systems for their development environments, enterprise systems (e.g., HR, CRM), and core backend.
- Core presence on SaaS reflects that cloud has been the destination of choice for most P/C insurers for several years.

Midsize Insurers



- A large proportion of midsize insurers have core backend systems on cloud, likely due to recent suite upgrades with vendors that favor SaaS environments.
- Likewise, midsize insurers have been active in migrating data to the cloud.

Small Insurers



- Smaller insurers have a higher proportion of their frontend systems on the cloud, compared to midsize and large insurers.
- In prior years, smaller insurers have focused their relatively constrained resources on cloud expansion in just a few areas, of which frontend systems and data and analytics were common targets. Over 50% of small insurers are now on SaaS platforms for these systems.

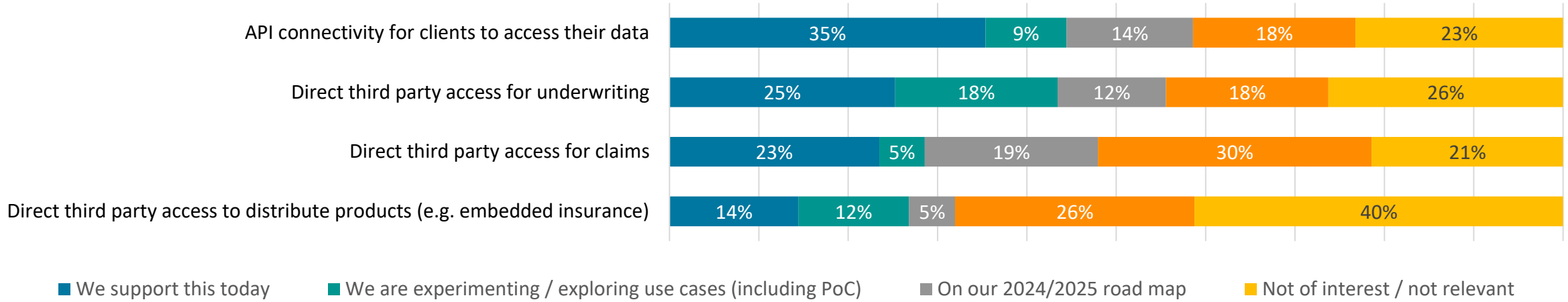
Base: All North America P/C insurance respondents (n=20 large, 11 midsize, and 17 small insurers)
Question: *For each of the following seven categories, what is your current status of SaaS (private/public cloud) deployments based on number of systems?*
Source: Celent P/C Insurance Dimensions Survey 2025

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OPEN INSURANCE IS EMERGING AS AN OPPORTUNITY FOR P/C INSURERS

Roughly a third of insurers offer data access and a quarter offer underwriting and claims transactions. Another quarter of insurers have these capabilities on their road map or are experimenting with enabling them.

Technology Approach to Open Insurance, All P/C Insurers



- "Open insurance" refers to the ability of insurers to allow access to their systems, either for customers or other third parties. Access may be enabled for data or even transactions like underwriting or claims.
- Enabling these capabilities can allow insurers to integrate with finance and communications apps as new sales channels or to offer "insurance-as-a-service" products or embedded insurance.

- Insurers' current engagement with open insurance capabilities reflects an openness to a potential business opportunity.
- Roughly half of insurers offer API connectivity for data or expect to soon. Other direct access capabilities are less common, though about a quarter of insurers offer access for underwriting or claims.
- Large insurers tend to have enabled these capabilities more than smaller insurers, with midsize insurers typically in the middle.

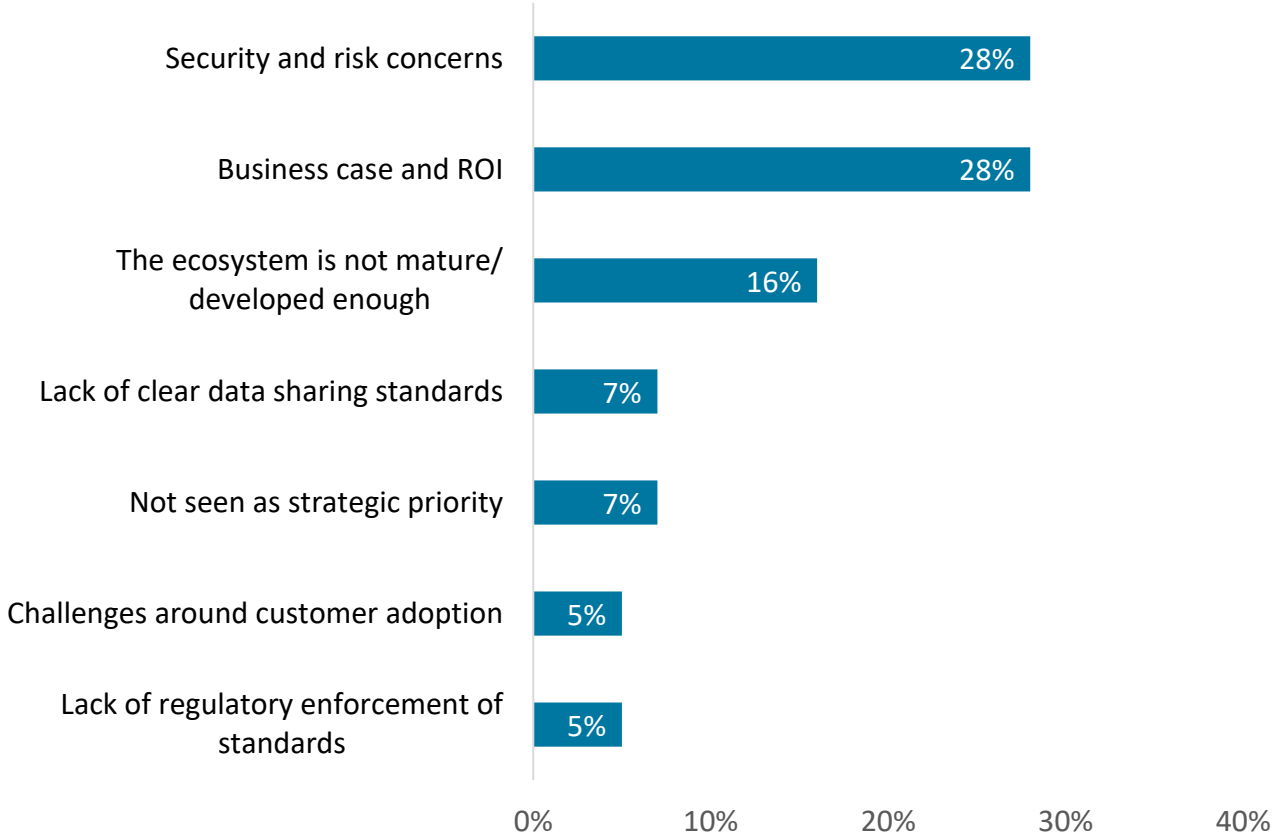
Base: All North America P/C insurance respondents (n=57)
Question: *Which of the following best describes your thinking or activity around potential use cases for open insurance?*
Source: Celent P/C Insurance Dimensions Survey 2025

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BARRIERS TO OPEN INSURANCE ADOPTION

Security and risk concerns are the major barrier, alongside unclear business case and ROI propositions.

Barriers to Implementing Open Insurance



- While roughly half of P/C insurers either have enabled data and transaction access or are currently experimenting with these capabilities, the value proposition remains unclear. ROI and security concerns are the top reasons cited as barriers to implementing open insurance capabilities.
- Concerns around the ecosystem's technological maturity and lack of standardization are additional concerns.
- Larger insurers tend to be much more concerned about security and risk than they are about business case. These insurers also tend to be further along in enabling these capabilities. So, although these large insurers perceive an opportunity, they're understandably worried about securing this access in a way that minimizes risk. They also tend to have more complex environments to manage.
- Smaller insurers are more likely to be skeptical of the business case and also tend to be less likely to have enabled open insurance capabilities. For these insurers, the unclear value proposition may lead them to defer the decision on whether to invest in opening their systems.

Base: All North America P/C insurance respondents (n=57)
Question: *What do you see as the biggest barriers to taking advantage of the opportunities in open insurance?*
Source: Celent P/C Insurance Dimensions Survey 2025

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7

RECOMMENDATIONS AND PATH FORWARD



RECOMMENDATIONS AND PATH FORWARD

1

P/C insurers are entering 2025 with a clear plan of attack despite challenging conditions.

In recent years, P/C insurers have had to contend with rising claims costs, unpredictable supply lines, and more common catastrophes that have been more severe in impact. They've been squeezed between the premium increases they can pass on to policyholders and the rates they receive from reinsurance partners.

Despite all this, P/C insurance entered a growth market in 2024, and carriers are approaching 2025 with a plan to succeed, growing while they streamline.

2

Ensure IT investments are in line with the benefits that technology is expected to deliver.

For the last decade, insurer IT budgets were essentially frozen, even as technological innovations demonstrated their ability to add value and create efficiencies within insurer operations.

P/C IT spend has finally started to rise in recent years, which is both welcome and overdue. Nevertheless, nearly 40% of insurers say their IT budget is *the* major barrier to achieving their goals. Technology is the driver of modern capabilities that create growth for insurers. C-suites need to make sure they continue to fund appropriately to realize these benefits.

3

Innovate by finding tactical fixes that relieve friction and streamline processes.

Innovation is still a major business goal for many insurers, and rightfully so. That said, in 2025 innovation will look a bit different than it has in prior years. Rather than taking major swings, insurers should focus on lower-risk projects with clear business value, even if (perhaps especially so) those that seem mundane at first.

Every employee within a carrier is a potential source of insight into how processes can be optimized to work a little more smoothly. Encourage taking an "outside-in" perspective, considering what the customer wants—not what existing technology dictates.

4

Don't wait for the future; create it.

Generative AI and other forms of advanced analytics are already live at a number of carriers. Major system vendors have AI capabilities in production in current versions of their product. The future is happening now.

As much as insurers today are focused on transformative efficiency, future insurers will gain advantage not just through streamlined processes but superior risk selection and better pricing. The next technological revolution in insurance is being defined right now. Insurers shouldn't wait to seize the opportunity.

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