

# Predictions 2025: Insurance

## Navigating the unpredictable in a fast-changing world

Long adept at mitigating risk, the insurance industry finds itself wrestling with a set of existential questions around how it continues to do business in a fast-evolving world.

Economic pressures such as inflation and supply chain disruptions have driven up the costs of claims — particularly in auto and property insurance — where repair and replacement expenses have surged. This has forced insurers to adjust their premiums to maintain profitability, an approach that risks making insurance unaffordable to wide swaths of consumers and businesses.

Also top of mind is how to navigate the impacts of the changing climate, which has led to more frequent and severe natural disasters — including in regions that have long been considered low-risk. It's a trend that's resulted in substantial insured losses, climbing into the tens of billions of dollars globally in the first half of 2024 alone. Consequently, insurers are facing increased claims and higher reinsurance costs, prompting a rise in premiums, particularly in disaster-prone areas. It's a situation that is straining insurers and policyholders alike, and has even pushed some insurance companies to abandon service to regions altogether.

These challenges, among others, raise important questions for this centuries-old industry, and whether it's ready to weather these unavoidable macroeconomic headwinds. Some 64% of insurance leaders report concern about environmental and climate disruptions, with 26% saying they feel ready. And while upgrading enterprise IT ranks as the top way executives across all industries say they can best mitigate risk, 68% of insurance leaders say their organization struggles to keep up with the pace of technology.<sup>1</sup>

That's noteworthy in an industry where the integration of artificial intelligence and digital platforms is transforming operations, from underwriting to claims process, enhancing efficiency and the customer experience. Some enterprises are more sluggish with emerging IT adoption because new digital tools open the door for new types of risk. Insurers are tasked with balancing innovation with risk mitigation — something that makes the work of setting a future-forward strategy even more complicated.



## The readiness paradox



**94%** of leaders in the insurance sector are confident that their IT infrastructure is best-in-class.



**56%** of insurance leaders are concerned that their IT tools or processes are outdated or close to end-of-life.



Only **39%** of insurance leaders believe their IT infrastructure is completely ready to manage future risks.

<sup>1</sup> *Kyndryl's Readiness Report, 2024 October*

## 2025 outlook

- In the coming year, insurance companies will strengthen investments in end-to-end solutions around first-notice-of-loss claims, made possible by AI and machine learning. The companies that benefit the most will be those who've taken steps to organize, understand, and develop good governance around their data. Consider a policyholder who suffers from a car crash. By leveraging these advanced technologies, insurers can reduce the time it takes to open, assess, underwrite, and close claims — all while conducting fraud detection. That's a benefit for consumers and it frees up workers to concentrate on more creative, higher-value work.
- As insurance companies grapple with ways to become more customer-centric, some will recruit senior leaders to their ranks from industries with a strong track record of doing just that. Already some insurers have started to tap talent from major retailers and high tech. The goal? Work at the speed of retail and bring to consumers the user experience delivered on advanced technology platforms. In doing this, insurance companies hope to address another key problem: talent recruitment and retention. In becoming faster, more flexible, and customer-obsessed, insurers want to pivot from legacy insurance company thinking and adopt more nimble, strategic business models.
- Insurance companies will work with technology partners to explore and expose more data that can enable them to better predict and price-in intense weather events. By getting better at leveraging satellite, local, and climate data, they hope to use analytics to understand how to best underwrite risk. A key component of this work will be investing more capital into generative AI.

### Market activity

Kyndryl worked with a major insurance company to migrate more than 85,000 gigabytes of information to the cloud to accelerate its transformation to a 21st century digital enterprise. This work was done while maintaining the company's day-to-day operations.<sup>2</sup>

<sup>2</sup> *Kyndryl and RSA Insurance: Mapping the Future of a Digital-First Enterprise*, 2021 December, Kyndryl News

**“With AI assisting in the processing of insurance claims, the industry aims to get to a point where an adjuster validates what an AI-powered model shows them. That leads to less fine tuning, fewer calls to the service desk, and faster service.”**

— *Tom Scheel, U.S. Insurance & Global Insurance Guild Leader*





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