

UNLOCKING DIGITAL PERFORMANCE
2025 OUTLOOK | INSURANCE INDUSTRY

**AI-Driven Underwriting,
Claims Modernization, and
Digital Ecosystem Integration**



Insurance in 2025

The insurance industry is entering a decade of unprecedented disruption and innovation. Insurtechs, embedded insurance, and digital-first approaches are challenging traditional business models, driving a fundamental shift in how insurers operate. Customers today demand hyper-personalized, seamless experiences, with 85% of insurance customer portal access coming from mobile devices.¹ Meanwhile, regulatory demands for compliance with GDPR, ESG standards, and solvency requirements are adding new layers of complexity.

These forces are converging at a time when Property & Casualty (P&C) and Life & Benefits (L&B) insurers are still grappling with entrenched legacy systems and operational inefficiencies, threatening their ability to compete – and separating those who have already made efforts to overcome tech debt and modernize legacy systems from those that haven’t. In fact, in the past five years, digital leaders in the insurance sector achieved six times the profitability of their peers.²

In 2025 and beyond, then, success hinges on the ability of insurers to modernize operations, exceed customer expectations, and align with increasingly complex regulations.

Navigating these challenges requires bold action and a focus on innovation. To remain competitive, insurers must embrace AI, advanced analytics, and modular ecosystems. These tools will not only address operational inefficiencies but also enable insurers to meet customer demands and capitalize on emerging opportunities.

Focus Areas for Insurance in 2025

- **Policy acquisition and underwriting efficiency:** The shift to digital operations can lead to a dramatic improvement in productivity and reduction in operational costs by up to 40%.³ Advanced analytics empower insurers to improve lead qualification and target high-value customers. Straight-through processing (STP) drastically reduces policy issuance times – cutting costs and enhancing customer acquisition.
- **Digital ecosystem development:** Partnering with insurtechs to build modular ecosystems allows insurers to integrate policy servicing, underwriting, and claims management seamlessly. Embedded insurance is reshaping distribution channels, with the market expected to surpass \$700 billion by 2029.⁴ Insurers embracing these models can expand their reach, reduce acquisition costs, and drive sustainable growth – all while gaining loyalty from their customers.
- **AI-driven claims modernization:** Automating First Notice of Loss (FNOL) and fraud detection not only accelerates claims processing but reduces losses. Predictive models further enhance transparency and accuracy, fostering greater customer trust.



By establishing the core technological building blocks for AI-first transformation, insurers can future-proof their operations, unlock efficiencies and introduce new revenue streams while delivering an enhanced customer experience that drives loyalty.

Policy Acquisition and Underwriting Efficiency

Underwriting and policy acquisition are foundational to an insurer’s growth, directly influencing profitability, customer satisfaction, and risk assessment accuracy. Yet, these processes are increasingly strained as customers demand real-time quotes and seamless onboarding, while insurtechs disrupt traditional models with automated and data-driven platforms.

Research shows organizations that leverage advanced analytics can reduce underwriting processing times by up to 50%,⁵ allowing insurers to increase premiums without additional operating costs. Insurers who embrace digital-first operations, therefore, have a significant opportunity to streamline workflows, enhance decision-making, and stay competitive in an evolving market.

To address these challenges and capture growth opportunities, insurers must leverage four critical building blocks:

Data and analytics: AI enables insurers to process applications faster, identify high-value leads, and enhance risk models. For instance, predictive analytics can assess vast datasets spanning structured (such as historical claims) and unstructured data (health records, social data) to refine underwriting decisions in real time. However, this is only possible with seamless data collection, integration, and analysis.

- Establishing a centralized data layer to integrate various sources and make data accessible for real-time analysis is paramount to leverage AI models for more informed, accurate underwriting decisions.

Cloud infrastructure: AI-driven underwriting will require significant compute power for real-time data processing, model training, and to seamlessly scale to meet future demand, allowing insurers to more easily handle the dynamic workloads associated with underwriting and policy acquisition processes.

- Consider tapping into the cloud-native AI solutions of different providers to accelerate this shift, and to provide the flexibility to address compliance hurdles such as data sovereignty concerns for certain markets.

Application modernization: Legacy systems must be modernized to support AI integration, enabling the automation of underwriting processes and allowing insurers to better serve customers with personalized offers in real time, while also improving overall efficiency.

- Build API integration layers as part of the modernization process, making it easy for core apps and systems to talk to each other. This will allow data to flow seamlessly.

Digital operations: Automation eliminates bottlenecks caused by manual workflows. Straight-through processing (STP) accelerates approvals and frees up underwriters to focus on complex cases requiring human judgment. Insurers embracing these systems can see immediate cost savings and faster response times.

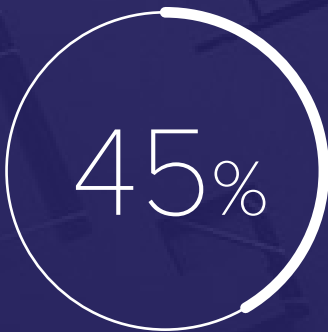


Reducing OpEx Costs and Customer Service Response Times

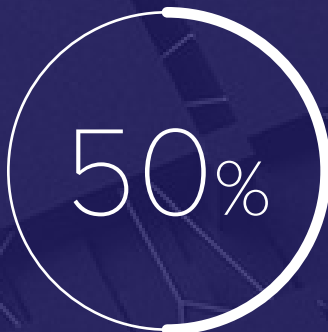
For a leading American insurer and reinsurer operating worldwide, meeting the speed and quality expectations of demanding brokers as they scaled quickly was a struggle. The steadily increasing complexity of their portfolio led to a large amount of data that could be leveraged to their advantage – but required an investment in modern data warehousing and analytics tools.

By introducing a data operations and analytics Center of Excellence, Sutherland enabled the insurer to unlock actionable insights that dramatically cut underwriting costs using predictive risk models. This was paired with Sutherland Connect®, a cloud-based omnichannel platform to seamlessly handle high customer interaction volumes, boosting contact rates.

THE IMPACT:



lower cost of
operations



faster submission
clearance turnaround



call quality
productivity scores

Digital Ecosystem Development

Customers today want tailored, real-time solutions where and when they need them. This has brought embedded insurance back into the spotlight. Although it's not a new concept, the rise of digital ecosystems has accelerated its adoption, diversifying distribution strategies and transforming how insurers deliver value to customers.

This shift enables insurers to integrate core functions like policy servicing, underwriting, and claims management directly into the non-insurance ecosystems where their customers already are – such as e-commerce websites, ride-hailing apps, and financial services platforms.

However, realizing the full potential of digital ecosystems is not without challenges. Continued reliance on legacy systems that are difficult to integrate results in significant barriers to success in this regard, hampering collaboration.

Additionally, navigating compliance across multi-partner ecosystems is often resource-intensive, particularly under frameworks like GDPR and ESG standards. Finding a way to more efficiently address these barriers with new digital workflows and real-time compliance frameworks is essential to capitalize on the growing demand for seamless, integrated insurance offerings.

To deliver on the potential of digital ecosystems in 2025, insurers should focus on three core areas:

- Data and analytics:** Digital ecosystems rely on sharing and analyzing data with third parties. Creating a data architecture that can enable the seamless sharing of data for real-time analysis while still ensuring security and compliance is key.
- Placing the customer at the center of ecosystem development, AI-powered insights enable hyper-personalization, predicting individual customer needs and offering tailored solutions in real time.
- Cloud infrastructure:** By leveraging cloud-based platforms, insurers can more easily integrate with third parties and handle large data volumes that naturally arise from tapping into an external ecosystem. This ensures faster deployment of embedded insurance solutions, improved productivity, and the ability to handle surges in demand without significant operational overhead.
- Digital operations:** Through modular, API-driven architectures, insurers can leverage AI to automate integration workflows, predict customer needs, and optimize services. This approach accelerates the deployment of new products, reduces time-to-market, and improves operational efficiency, ensuring insurers stay competitive.
- Leverage RPA and AI to automate repetitive tasks like policy enrollment and data syncing. This will improve the speed and efficiency of third-party integrations.

AI-Driven Claims Modernization

Claims processing has long been one of the most challenging aspects of insurance, plagued by inefficiencies, delays, and high operational costs. Traditional workflows, reliant on manual intervention, often lead to slow settlement times, frustrated customers, and escalating expenses. More than 30% of claims in P&C, for example, still involve manual intervention, increasing turnaround time and cost.⁶ As digital-first insurtechs set a new standard for speed and transparency, traditional insurers must adapt quickly to remain competitive.

AI-driven capabilities such as predictive analytics, real-time fraud detection, and end-to-end automation are reshaping claims management. These advancements allow insurers to accelerate processing times, reduce costs, and deliver seamless customer experiences. With rising customer expectations for transparency and efficiency, modernizing claims workflows is no longer a competitive advantage – it’s a necessity.

To achieve these outcomes, insurers must leverage three critical building blocks:

Data and analytics: AI-powered analytics enable insurers to automate First Notice of Loss (FNOL), detect anomalies, and predict fraud patterns with precision. Advanced analytics streamline decision-making, optimize resource allocation, and enhance claims accuracy across the lifecycle, helping insurers reduce inefficiencies and financial losses.

- Leveraging AI to scan and process customer-uploaded documents (such as photos and videos) will enable faster settlement times, automatically extracting relevant data to initiate claims.

Application modernization: Modern claims systems prioritize customer experience by offering proactive updates, real-time transparency, and tailored resolutions. AI tools embedded within claims applications can predict customer needs, ensuring a seamless, hyper-personalized experience that builds trust and loyalty.

Cybersecurity: Securing digital claims workflows is critical. Cybersecurity measures protect sensitive customer data from breaches, ensure compliance with privacy regulations like GDPR, and safeguard AI systems from fraud and cyberattacks. By prioritizing cybersecurity, insurers can maintain trust and the integrity of their claims processes.

- Implement robust security protocols across the AI lifecycle, including real-time threat detection tools to detect anomalies and protect against cyber-attacks, flagging any unusual access patterns in real time.





Building the Future of Insurance: A Path to Innovation and Trust

While investments in data and analytics have grown, many insurers still face challenges integrating real-time insights, automating processes, and ensuring regulatory compliance. To remain competitive, they must bridge the gap between data readiness and comprehensive AI-enabled transformation. The next frontier is scaling these efforts to create AI-enabled ecosystems that can support both real-time and batch environments. This includes developing data products to power critical use cases such as pricing optimization, fraud detection, segmentation, churn analysis, and customer lifetime value.

It will remain challenging to fully automate processes in a highly regulated industry like insurance. Algorithmic bias and false positives can undermine customer trust, while complex cases continue to require human oversight. Furthermore, ensuring transparency and explainability in AI-driven decisions is critical, especially as regulatory scrutiny intensifies. This is why all six core technological building blocks – data and analytics, cloud infrastructure, AI-enabled application modernization, digital operations and automation, cybersecurity, and digital chemistry – must come together to form the foundation for a more innovative, agile, and customer-focused industry, bridging human expertise with AI-driven processes to enable innovation while maintaining trust and compliance.

Insurers that lead the way will act decisively, embracing these priorities to secure their competitive edge and drive the industry's transformation into a more innovative, customer-focused future. By modernizing their operations and embracing scalable technologies, insurers will position themselves to address the inherent market complexities – and capitalize on the growth opportunities – presented in 2025 and beyond.

Unlocking Digital Performance. Delivering Measurable Results.

At Sutherland, we are a leading global business and digital transformation partner. We work with iconic brands worldwide in Healthcare, Insurance, Banking & Financial Services, Communications, Media & Entertainment, Technology, Travel & Hospitality, Logistics, Retail, Energy & Utilities industries. We bring our clients a unique value proposition through market-leading technology and business process excellence. Leveraging our advanced products and platforms, we drive digital transformation, optimize critical business operations, reinvent experiences, and pioneer new solutions, all provided through a seamless “as a service” model. For each company, we tailor proven and rapid formulas to fit their unique DNA. We bring together human expertise and artificial intelligence. In short, we do digital chemistry. It unlocks new possibilities, great client partnerships, and transformative outcomes.

