

Property and casualty insurance

Property and casualty insurers are beginning to see positive results from their digital transformation journeys. In 2021, 27% of executives reported their digital transformation strategies were delivering results, compared to just 19% in 2020. Overall, 59% of executives now have strategies that are either “operational” or “producing results” — a marked improvement from previous years.

These are just some of the insights shared by property and casualty executives this year. Read on for more insights into their top trends and priorities, along with recommendations for key actions they can take now to accelerate their digital journeys.



Digitizing and innovating to meet fast-changing customer expectations

The impacts of the pandemic and fast-changing customer expectations have accelerated the need for property and casualty executives to innovate across the enterprise and drive business agility through new applications and infrastructure. More than half of executives are modernizing their applications and moving them to the cloud.

There also has been a strong focus on improving the customer experience through data insights and new methods of customer interaction. This is cited by executives as a top business and IT priority for 2021.

The pressure to digitize and innovate is further reflected in the top three investment areas for 2021. Data analytics tops the list (93%) followed by digital transformation (90%) and innovation in terms of products, services and the customer experience (90%).

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our 2021 CGI Voice of Our Clients discussions with 66 property and casualty executives.

About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from interviews with 66 property and casualty executives across Europe and North America.

Interview demographics

38% Business leaders

62% IT leaders

76% C-level

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 68% of the world's IT spend across all economic sectors.

Top trends and priorities

Fast-shifting customer product and digital servicing expectations remains the dominant trend for 2021, while top business and IT priorities focus on the customer experience and data insights.

Top trends

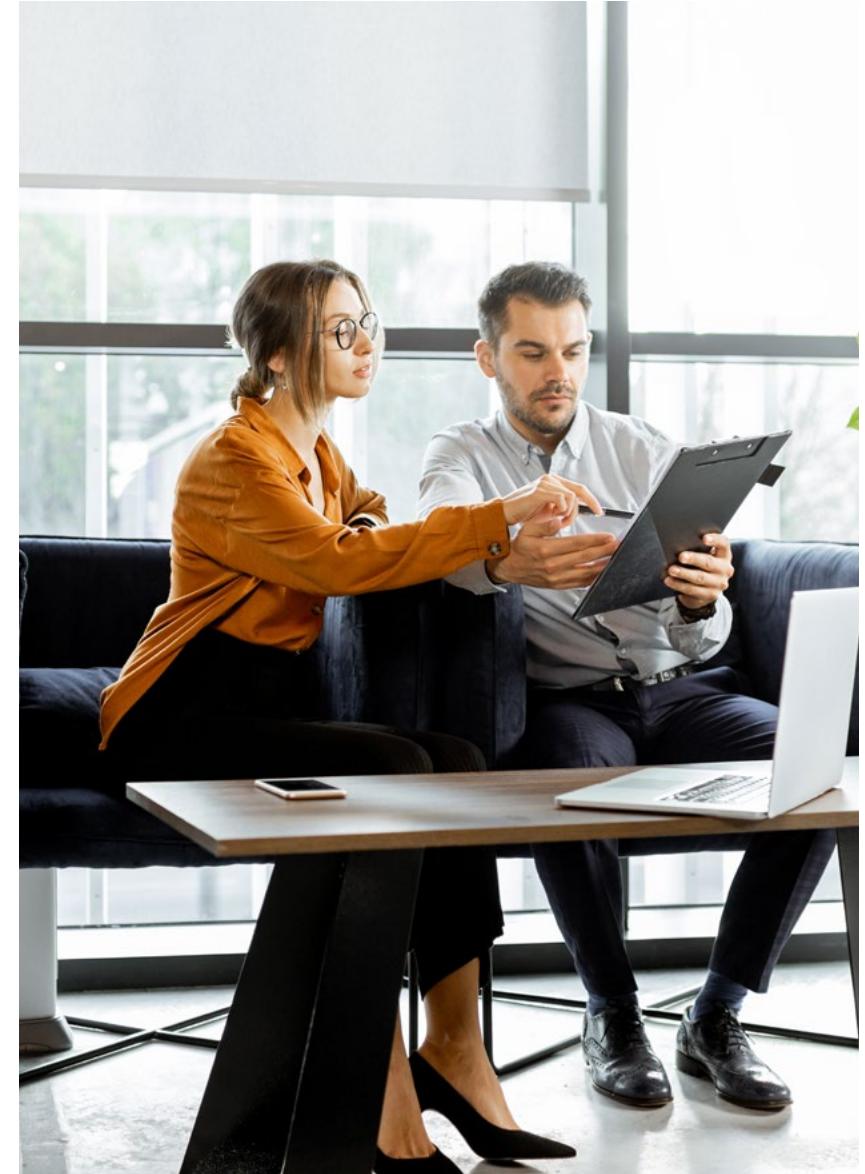
- 1 Fast-shifting customer product and digital servicing expectations
- 2 Managing costs to maintain/improve combined operating ratio
- 3 Meeting and optimizing regulatory compliance

Top business priorities

- 1 Drive a differentiated, seamless customer digital experience
- 2 Continue to drive end-to-end process automation internally and across the value chain
- 3 Derive value from data to improve underwriting and customer evaluation

Top IT priorities

- 1 Continue to develop data insights to support the business
- 2 Rationalize, simplify, modernize applications and infrastructure
- 3 Innovate products and the customer experience



Top 10 insights for property and casualty insurance

1 **Developing data insights rises in importance to become the top IT priority.**

After ranking fourth in 2019 and 2020, developing data insights to support the business rises to the top of executives' IT priorities in 2021. Data insights are being used to support the development of new and tailored products, launch new distribution and policy servicing channels, and optimize the customer experience. Using data to improve underwriting and customer evaluation also is a top business priority.

2 **Customer expectations increase the pressure to digitize and innovate.**

For the third straight year, executives cite fast-shifting customer product and digital servicing expectations as their top trend. Further, 63% of executives say customer expectations are impacting their digital strategies, a 5% jump from 2020. In response to this pressure, 91% cite digitizing the customer journey as their top digital initiative for 2021, possibly as a response to changing consumer buying patterns and the emergence of platform insurers.

3 **Digital strategies are maturing.**

The percentage of executives producing results from their digital transformation strategies increases from 19% to 27%, year over year. Nearly 60% of executives now have strategies that are either “operational” or “producing results.” However, the percentage of executives “building” and “launching” strategies significantly declines (from 53% in 2020 to 41% in 2021). This is likely due to a combination of maturing strategies and the need to temporarily shift priorities to meet the impact of the pandemic. We will be interested to see how this trend evolves in our 2022 interviews.

4

Nearly half of executives expect to rely on managed services over the next three years.

Nearly half of all executives expect to be at least substantially reliant on managed services providers within the next three years. This trend suggests that executives are seeking to hand commodity services over to service providers to free up their own resources to focus on higher-value digital services as they continue to digitize and innovate.

5

Technology supply chains rate low in agility and high in complexity.

While only 25% of executives rate the agility of their organization's technology supply chain as very high, this exceeds the average for all of the industries we cover (23%). Further, 30% indicate the complexity of their supply chain is very challenging. This suggests that executives continue to find delivering change within their organizations difficult and may potentially slow the pace of their digital transformation as they move toward more complex legacy systems.

6

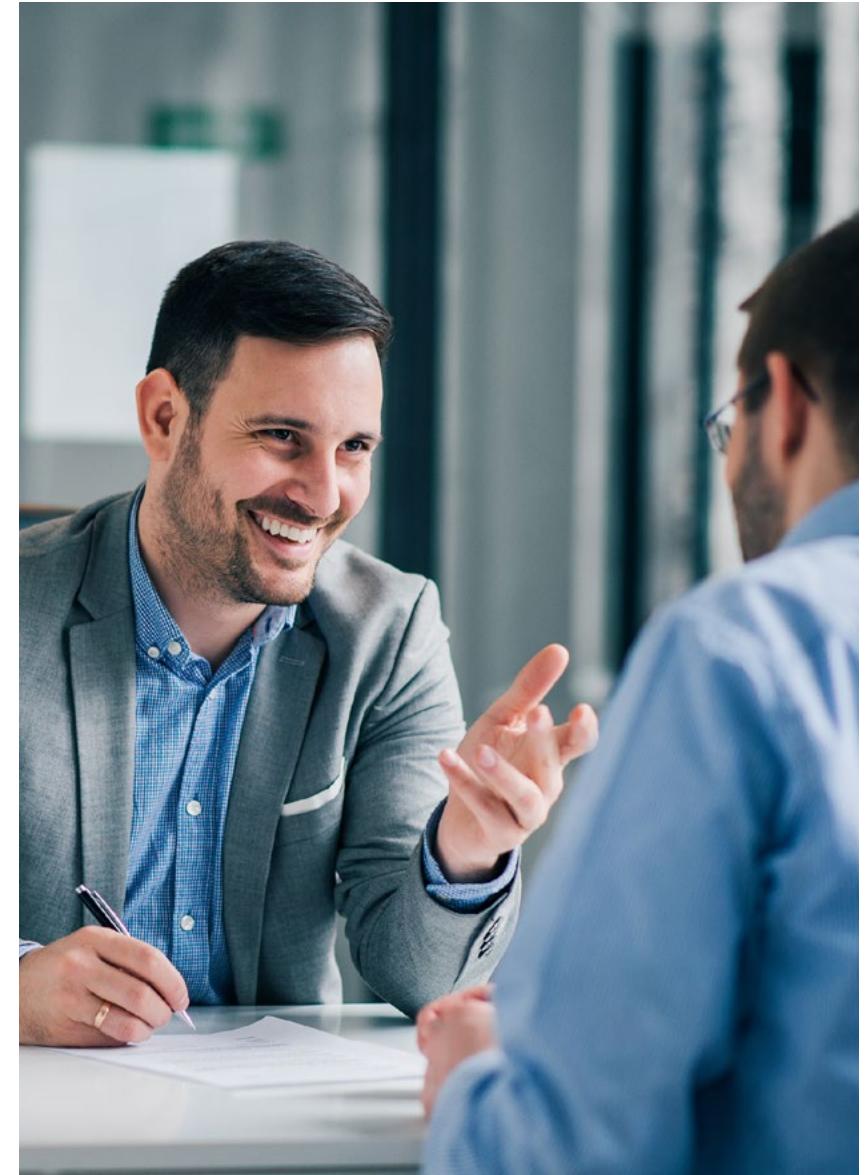
More than half are modernizing their applications and moving them to the cloud.

Over the next two years, 61% of executives plan to modernize their organizations' applications, and 58% plan to migrate their applications to the cloud. Executives increasingly prefer public and hybrid cloud environments for both their own organizations and for customers. For example, 70% of executives interviewed favor a public cloud model, with only 48% choosing a private model.

7

Future IT investment closely aligns with top trends and priorities.

Executives' top three investment areas for 2021 closely align with the pressure they feel to digitize and innovate in response to changing customer expectations. Data analytics tops the list (93%) followed by digital transformation (90%) and innovation in terms of products, services, and the customer experience (90%).



Top 10 insights for property and casualty insurance

8

With ongoing remote work, employee training is a critical cybersecurity success factor.

Due to ongoing remote work and the increased attack surface this brings, 89% of executives view employee training and awareness as a critical element of their cybersecurity programs. Identifying critical assets also is important and remains a challenge during the pandemic due to complex large-scale modernization projects. The top cited critical success factor is testing and verification of response capabilities (91%).

9

Addressing regulatory compliance declines in importance.

While regulatory compliance remains a top 5 trend, it has declined in importance as recent regulations, such as the General Data Protection Act (GDPA) and Solvency II become “business as usual.” In fact, the reported proportion of IT budget allocated to regulatory and compliance is surprisingly low this year, with 35% of executives spending less than 10% of their budget (versus 24% across the financial services sector).

10

Sustainability is less of a focus compared to other sectors.

Only 34% of property and casualty executives view environmental sustainability as highly core to their organization’s ability to continue creating value for customers in the future, despite the impact of climate change on risk volatility. This is a significantly lower percentage than their life and pension counterparts (51%) and executives in financial services overall (54%).

Digital leaders in property and casualty insurance

More property and casualty executives are reporting results from their digital strategies in 2021 (27%), outperforming executives across all of the industries we cover (20%). A growing percentage (63%) also are feeling the impact of customer expectations on their digital strategies, up 5% compared to last year.

Our table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies.

Common attributes of digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Collaborate more efficiently	50%	17%
Are better at aligning IT and business priorities	67%	50%
Use managed services and partners more	87%	80%
Feel strongly that environmental sustainability is core to creating value for customers	60%	27%

In 2021, 89% of executives report having a defined digital strategy, with 40% saying their strategy extends to their ecosystem of partners and suppliers (compared to a 27% all-industry average). This indicates that digital leaders are favoring more open business models and extended supply chains. Legacy systems, however, continue to pose a challenge to successfully implementing digital strategies (70% of executives rate the challenge between 6–10, with 10 very challenging).

5 recommendations for achieving your top priorities

1 Continue to launch and operationalize digital transformation strategies
to capitalize on new opportunities created by the pandemic, changing customer expectations, and new ways of working. Executives with a defined digital strategy at the start of the pandemic have been able to exploit these opportunities and generate positive results from their strategies. However, the percentage of executives launching digital strategies in 2021 declined, which may serve as a wake-up call for some. The capability to drive innovation and quickly launch new products and services while enhancing the customer experience is key to capitalizing on fast-evolving demands.

2 Transition from legacy environments to the cloud to drive business agility, improve operational efficiencies, reduce costs and support new growth. Executives realize that complex and costly legacy environments hinder agility, while modern cloud solutions enable them to achieve their business goals more rapidly and free up resources to focus on building new digital services. This year, executives are looking closely at cloud migration, with a significant majority planning to migrate more than 20% of their applications to the cloud over the next two years, although there remain differences of opinion concerning the choice of public or private cloud providers.

3 Focus more on customers and new ways of interacting with them to stay ahead of changing buying patterns. This involves evaluating how you develop and distribute information (from pricing to underwriting), finding ways to build, test and distribute your products more quickly, and knowing your customers so that you can interact with them in ways that suit their evolving buying patterns.

Achieving these goals requires an assessment of current platforms, effective use of existing and new data sources, and a comprehensive data strategy. IT budgets are shifting this year toward new applications and infrastructure, and deriving value from data insights is both a top business and IT priority. These investments are key to delivering the products, propositions and pricing required to win more customers.

5 recommendations for achieving your top priorities

4

Address both the technical and human elements of cybersecurity

to develop a robust and effective cybersecurity strategy. In the past, the focus has been on hardening the technology landscape, and while this remains a priority, greater attention is being given to human vulnerabilities. Firewall breaches are less common, for example, than simple phishing attacks initiated by bad actors.

A comprehensive cybersecurity program bundles employee education and phishing simulations, alongside technical solutions such as penetration testing and infrastructure hardening. Raising awareness of human-driven attacks also is key, and executives this year cite employee awareness as their most critical cybersecurity need.

5

Be prepared for escalating environmental, social and governance (ESG) scrutiny

resulting from both active and passive regulatory compliance — active in terms of regulations that govern transactions and behavior (e.g., dual pricing) and passive in terms of emerging sustainability pressures (e.g., new ESG trends and mandates). Some insurers continue to use tools, such as spreadsheets, in key areas such as pricing, which impede auditing and traceability. This is a prime target for regulators, and so optimizing compliance is one of this year's top trends. On the sustainability front, executives face pressure to contribute to sustainability. New data sources, such as earth observation and smart building data, enable insurers to better monitor insured assets — from factories to greenhouses to aquaculture — to ensure they are managed in a sustainable manner, while also reducing the risk profile of these types of assets.



About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 80,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit cgi.com/voice-of-our-clients or contact us at info@cgi.com.

