

# From legacy to leading edge

Modernizing claims through purpose-driven technology strategies

The insurance industry is on the verge of transforming claims handling, driven by technological advances, evolving customer expectations, and a renewed focus on purpose-driven outcomes. In a competitive market, modernizing claims must do more than improve efficiency—it must also create meaningful, lasting impacts on customers' lives and communities.

The pressure to remain competitive has forced insurers to adapt, embracing capabilities like predictive analytics and machine learning (ML). These technologies reduce loss expenses, streamline catastrophic claims, and deliver data-supported insights to adjusters and analysts.

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The future of insurance claims is driven by technology, customer expectations, and a renewed purpose to serve the policyholders. Insurers must embrace this tech-driven future to lower costs and meet customer demands for convenience, speed, and transparency.

**Scott Shapiro**

US Sector Leader, Insurance  
KPMG US

This report explores the future of claims by examining innovative trends, leading practices, integrated claims tools, predictive analytics, and the importance of effective staff training.

## Unbundling the core

Existing claims platforms need a new approach to enhance customer and employee experience while enhancing business outcomes. Insurers must modernize claims processes with their significant investments in technology stacks. Despite heavy investments, these systems often fail to streamline or reduce costs.

To reduce complexity and cost, insurers should leverage the “unbundling the core” concept. Traditional systems are stripped to basic functionalities, enabling “modu-light” systems in an integrated information technology ecosystem. This microservices architecture offers flexibility, scalability, and resilience, adapting to evolving business needs and technological advancements.

Under this model, core systems retain essential capabilities with customizable features, while integrated modules manage external functionalities. This approach can cut costs by 25 percent-30 percent and enhances flexibility. Application programming interfaces (APIs) facilitate deploying modular systems and applications, creating an ideal ecosystem for modernized claims processing.

Key improvements include:

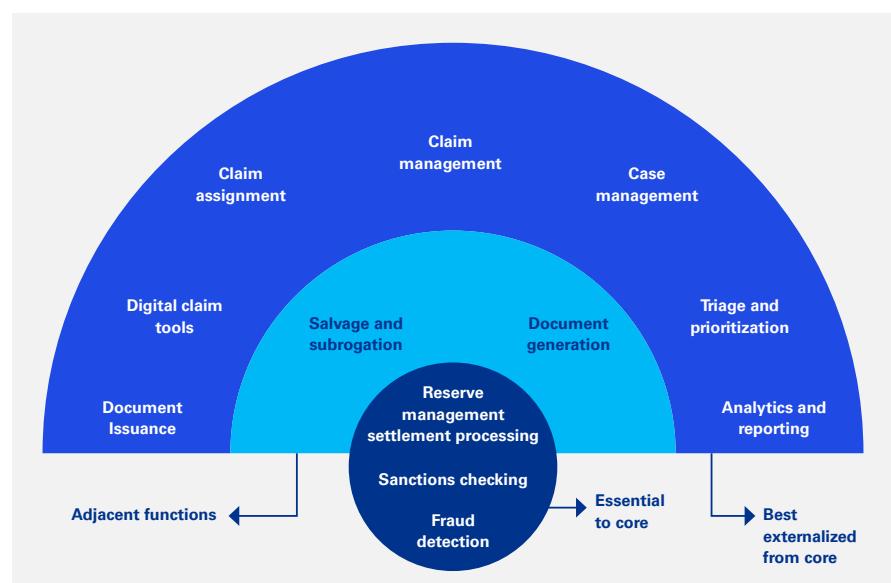


Enhancing the claims experience for policyholders

Reducing operational expenses

Increasing the accuracy and speed of claims resolutions

Providing training to upgrade skills within claims operations



## Building the desired policyholder claims experience

Once core systems are unbundled, integrating with a digital experience platform enables the creation of efficient claims experiences. An authentication layer can ensure secure access control, while an API layer harmonizes claims operations, connecting core systems and cloud applications for an optimal experience.

## Utilizing data and automation to right-size claims expenses

In today's digital age, insurers are leveraging modern ecosystems and data-driven technologies to streamline claims processes and reduce expenses. A modern ecosystem, built on integrated platforms and sophisticated data analytics, creates a seamless claims management experience by centralizing data from various sources like policyholder information, incident reports, and historical claims data. This integration enhances risk assessments, decision-making, and timely interventions. Predictive analytics can be also leveraged to identify high-risk claims early, enabling proactive management.

Automation and AI reduce claims expenses by handling routine tasks such as data entry, validation, and initial claims processing, speeding up the process and reducing errors. AI-driven chatbots provide instant customer service, allowing human agents to focus on complex cases. Advanced fraud detection systems use ML to identify suspicious patterns, reducing fraudulent claims. By combining these technologies, insurers can optimize their claims processes, significantly cut expenses, and deliver better value to their policyholders.

## Increasing the accuracy and speed of claims resolutions

A modern ecosystem underpinned by algorithms, ML, and AI-driven insights automates routine decisions and processes, significantly enhancing claims accuracy and speed. This automation ensures consistent, error-free handling, allowing higher claim volumes in less time. Advanced natural language processing technologies extract data from unstructured sources, ensuring no critical information is overlooked.

ML algorithms improve fraud detection, learning from new data to enhance accuracy. Real-time data integration enables seamless collaboration, reducing time spent gathering information. Telematics and Internet of Things provide real-time incident data, speeding up claims processing.

Integrating customer-facing technologies, like mobile apps and web portals, allows policyholders to report claims, upload documentation, and track status in real time. Self-service options reduce the workload on adjusters, speeding up processes and improving transparency.

## How will future auto insurance claims be processed?

A global insurer transitioned to a digitally enabled ecosystem, leveraging artificial intelligence (AI) and data analytics for industry-leading speed and efficiency. Here's how their AI-driven auto claims process works:

### STEP 1

One-click claim filing on the auto owner's app:

- Upload auto damage pictures
- Instant first notice of loss

Applicable for claims below \$10,000

### STEP 2

AI-driven "estimatics"

- AI analyzes damage from images and metadata
- Provides repair estimates

### STEP 3

Fast notification to the insured or claimants:

- Digital notifications to insured/claimants
- Insured reviews and approves estimates

### STEP 4

Direct indemnity payment:

- E-payment to insured
- Auto deposit in insured's account

### STEP 5

Verification and claims closure:

- Digital verification of payment and satisfaction
- Claim closure.

With a digitally enabled ecosystem, 40 percent–50 percent of claims can be automated, improving accuracy and output. GenAI can tailor the claims process to individual needs, enhancing customer satisfaction and providing insights for better risk assessment and product offerings. Predictive analytics optimize claims handling.

## Changing the ways of working and capabilities

As claims evolve into a strategic asset, new skill sets and working methods are required. Automation will handle routine tasks, but skilled professionals will remain in demand. Upskilling and cross-training claims professionals on new technology are essential. The shift in capabilities will require talent connecting data with insights to create comprehensive experiences. The goal is to enhance decision-making and maintain a personalized customer experience, balancing automation and human interaction.

## The economic argument for modernizing the claims process

Insurance executives recognize modernization's importance, but cost concerns can hinder progress. Change champions must present a compelling case with detailed cost-benefit analysis and data-driven insights. While advantages like competitive edge and customer satisfaction are significant, the bottom-line impact is crucial for decision-makers. Modernizing claims by unbundling core systems and creating a dynamic ecosystem can ensure operational excellence and profitability.

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Unbundling core systems is key to unlocking the full potential of digitalization in claims handling. By seamlessly connecting core systems, third-party providers, and cloud environments, we can streamline processes, enhance data security, and deliver a superior claims experience to policyholders.

**David Montes**

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Modernizing claims is vital for competitiveness and customer satisfaction. Embracing trends, implementing advanced tools, modernizing data infrastructure, and leveraging predictive analytics will enhance claims outcomes and operational efficiency. However, effective change management will be crucial for adopting and integrating innovative strategies. Adopting a microservices architecture and unbundling core systems ensures flexibility and scalability, positioning insurers to meet future demands. By following these principles, insurers can create a purpose-driven claims function, fostering impactful relationship with customers.

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KPMG LLP has extensive experience across the insurance value chain. Whether it's consulting on transforming the claims process, enhancing data and analytics, or claims ML modeling, our approach is team-based, engages diversified talents, and leverages technology to make the difference for your insurance company.

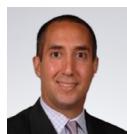
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