



# Property and casualty: Rising complexity

From litigation and climate change to  
innovation and new ways of working



## Understanding impact of the growing complexity

Over the past five years, property & casualty (P&C) insurance has been tackling rising complexity. Amid constant changes in the external environment, new risks and growing exposure to existing risks are emerging. To stay ahead of the curve, P&C insurers need to understand the broader landscape and develop the capability to manage the increasing complexity of the risks they underwrite.

For instance, during the COVID-19 pandemic, personal auto insurance experienced a significant shift in loss trends. In 2020, there was a notable decrease in loss frequency due to reduced driving activity. At the same time severity increased, which was often attributed to fewer cars on the road and higher-speed accidents. The loss ratio has risen significantly since 2020. Insurers have continued to observe severity levels above their initial expectations, even as frequency moves back towards pre-COVID-19 levels. The increase in severity has persisted rather than being a one-time occurrence.

In the commercial lines sector, excluding workers' compensation, organizations have implemented significant rate increases to keep pace with the changing risk environment. However, despite these rate adjustments, loss ratios have not decreased proportionally. Older accident years are experiencing substantial reserve increases compared to initial expectations. This trend is raising concerns and prompting caution among insurers regarding the performance of more recent accident years. The persistent gap between the initial loss ratio expectations and the current reality remains a key challenge.

## Fierce litigation and changing weather patterns

The litigation environment has changed considerably, with a rise in attorney representation, litigation funding, and the occurrence of nuclear verdicts. Attorney involvement and the financial backing provided by litigation funding entities have the potential to prolong and intensify legal battles, resulting in higher costs. This has led to increased complexity, risk, and uncertainty for insurers.

Simultaneously, the industry is grappling with the effects of changing weather patterns, particularly the increase in severe convective storms. These storms, which often manifest as intense thunderstorms with damaging winds, hail, and tornadoes, have become more frequent and severe in recent years. The rising frequency and severity of such events translates into increased claims and losses for insurers.

The unpredictable nature of these storms, coupled with their potential for widespread damage, has made it more difficult to accurately assess and price the associated risks. As a result, insurers are having to adapt their underwriting practices and risk models.



**Tornado alley in the center of the country is an indicator of severe convective storm activity that is continuously rising. It's an opportunity for P&C insurers to adapt and provide prevention services to both prevent and mitigate adverse events."**

**– Scott Shapiro,**  
KPMG US Sector Leader, Insurance

## Opportunities for innovation and modernization

P&C insurers have opportunities for innovation in products that cater to evolving customer needs, the use of technology, and modernization. For instance, P&C insurers can offer parametric insurance products that provide coverage based on predetermined triggers or thresholds, with swift and transparent payouts in response to specific events. Additionally, insurers can focus on prevention and mitigation services. This can include helping customers proactively manage and reduce risks through offerings like exposure management and resiliency efforts. By teaming with technology providers and leveraging data analytics, insurers can assist policyholders in implementing effective risk reduction measures.

Advanced technologies and modernization initiatives can help streamline operations, enhance decision-making, and improve customer experiences. Underwriting modernization holds great promise. Using data analytics and technology solutions, insurers can examine the entire underwriting process; identify areas for improvement; and make quicker, insight-driven decisions. This can lead to more accurate risk assessment and pricing. Moreover, integrating technology into various aspects of insurance operations, such as claims processing and customer service, can greatly enhance efficiency and customer satisfaction. Insurers can help policyholders to easily access information, report claims, and manage their policies.



**There's a lot more information that can be provided to the underwriter, to make a decision a lot quicker, including exposure management and pricing analyses more frequently, and also to make more insightful data-driven decisions."**

**– Ian Sterling,**  
Principal, Actuarial, KPMG LLP

Additionally, professionals are bridging the gap between technical analysis and practical business applications. As the industry embraces technology and data-driven decision-making, specialists with proficiency in data analytics, machine learning, and programming languages, along with business acumen, can gain a competitive edge. This is particularly true in the era of genAI.

There is also a shift in staffing models to address changing business needs and talent preferences. Alternative talent sourcing models, such as managed services, are gaining traction. These models allow insurers to flex resources and access specialized expertise on-demand to meet the growing demands. This provides greater flexibility, cost efficiency, and access to specialized skill sets. Moreover, the rise of remote and hybrid work arrangements is transforming the way actuaries and other insurance professionals work and learn.

To cater to this change, organizations need to effectively tackle challenges to maintain a strong company culture, encourage collaboration, and ensure communication among team members. Insurers will need to adapt their management practices and invest in digital tools and platforms to support this new reality.

## **Evolving ways of working, talent, and staffing models**

As new challenges and opportunities emerge, the skills and attributes required of technical roles such as actuaries, underwriters and claim handlers are also evolving. Broader skill sets are in the spotlight. Technicians are increasingly expected to possess strong communication skills so that they can effectively explain complex concepts to various stakeholders within the organization.

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