

Addressing top-of-mind insurance issues



Digital Disruption: Transforming insurance through digital product management

The insurance industry is still in the early stages of digitization, with 80% of direct written premiums in the U.S. running on legacy systems. However, there is significant opportunity to leverage data, emerging technologies like Artificial Intelligence (AI), and modern product management approaches to drive innovation and improve customer experiences.

Adopting an agile, product-centric mindset is critical. Dedicated product teams should be empowered to define objectives and key results (OKRs) that align with business outcomes. This approach accelerates go-to-market efforts by rapidly testing assumptions and iterating based on feedback.

This mindset along with dedicated product teams empowered to define objectives and key results can align to drive business outcomes. Bringing new digital products to market requires rethinking how products are envisioned, built, and delivered. Here, an agile, customer-centric mindset focused on rapidly testing assumptions and iterating based on feedback can accelerate go to market efforts.

Proactively address potential roadblocks to digital product implementation

Insurers can take proactive measures as they embark on digital transformation through:

- Establishing clear ownership and accountability for product decisions
- Avoiding replicating legacy processes
- Ensuring cross-functional alignment across business, design and technology
- Embracing regulatory constraints, through involvement of compliance stakeholders early to understand guard rails and avoid delays
- Securing the right talent with product management skills
- Measuring success and driving accountability through establishing clear objectives and key results to empower product teams to align their work with top company goals.

The insurance industry is at an inflection point when it comes to digital transformation and product management. While rich with data, much of it remains trapped in legacy systems and manual processes. Bringing new digital products to market requires rethinking how products are envisioned, built, and delivered. An agile, customer-centric mindset focused on rapidly testing assumptions and adapting based on feedback is essential and this means embracing failure as a natural part of the process rather than fearing it.

Thought leadership:

- [Embrace digital disruption](#)



Property and Casualty: Rising complexity

Over the past five years, the Property and Casualty (P&C) insurance industry has faced rising complexity due to constant changes in the external environment, new risks, and growing exposure to existing risks.

Understanding the drivers and impacts of the growing complexity

The COVID-19 pandemic significantly impacted personal auto insurance, with a notable decrease in loss frequency due to decreased driving activity but an increase in severity due to higher-speed accidents.

The litigation environment has changed considerably, with a rise in attorney representation, litigation funding, and the occurrence of nuclear verdicts, leading to higher costs, complexity, risk and uncertainty for insurers.

Changing weather patterns, particularly the increase in severe convective storms (intense thunderstorms with damaging winds, hail and tornadoes) which have become more frequent and severe in recent years are also increasing severity and frequency of claims.

These trends are translating into increased claims and losses have made it more difficult to accurately assess and price the associated risks.

Opportunities for innovation and modernization

Despite these challenges, P&C insurers have opportunities for innovation in products that cater to evolving customer needs, the use of technology, and modernization. This includes offering parametric insurance products, focusing on prevention and mitigation services, and leveraging data analytics for risk reduction. Advanced technologies and modernization initiatives can also streamline operations, enhance decision-making, and improve customer experience.

Evolving Ways of Working, Talent, and Staffing Models

The skills required for technical roles in the insurance industry are evolving, with a focus on strong communication skills and proficiency in data analytics, machine learning, and programming languages. Additionally, alternative talent sourcing models, such as managed services, are gaining traction, providing greater flexibility and access to specialized expertise. The rise of remote and hybrid work arrangements is transforming how insurance professionals work and learn, necessitating investments in digital tools and platforms to support this new reality.

Thought leadership:

- [Property and Casualty: Rising complexity](#)
- [Property and Casualty: A Changing Landscape](#)



Embracing the human challenges in elevating GenAI

The insurance industry is on the cusp of a transformative shift as generative Artificial Intelligence (AI) technologies gain traction. Organizations have seen early successes in areas such as knowledge management, training, and coding efficiency. AI-powered chatbots and intelligent search tools have significantly improved the accessibility of information for employees, reducing training time and increasing productivity. Additionally, generative AI has shown promise in automating coding tasks and improving quality assurance processes. However, the adoption of generative AI for cognitive decision-making remains limited due to regulatory concerns and the need for reliable, high-quality data.

Navigating the challenges of generative AI adoption

Insurance companies face challenges with legacy tech stacks and modern application programming interfaces which can hinder smooth adoption and require insurers to address their data infrastructure and systems before fully leveraging the technology. To harness the full potential of generative AI, collaboration and focused adoption are key, prioritizing use cases that deliver tangible business value and improve customer experiences.

Impact on Workforce and Customer Experience

Generative AI can automate routine tasks, freeing up employees to focus on complex and value-added activities like customer engagement, risk assessment, and strategic decision-making. Striking the right balance between automation and human touch is crucial, especially in sensitive customer interactions and ensure that the technology enhances, rather than diminishes, the quality of service delivered.

Building a Learning Culture for a Successful Implementation

The successful implementation of generative AI in the insurance industry requires a shift in organizational culture towards learning and adaptation. Building a learning culture that supports employee upskilling and adaptation is crucial. Determining where to apply these expensive tools requires a methodical approach, with a focus on high-value use cases and clear customer demand. Some companies are forming AI client councils to generate ideas, prioritize focus areas, and ensure proper governance in a regulated industry. By striking the right balance between business value and human impact, insurance organizations can harness the power of generative AI to enhance productivity and free up workers for higher-value contributions.

Thought leadership:

- [Embracing the human challenges in elevating GenAI](#)
- [KPMG global tech report: Financial services insights](#)

Addressing top-of-mind insurance issues (continued)



Navigating Reinsurance Strategies and Trends

Offshore reinsurance trends and regulatory changes

The reinsurance market in Bermuda and the Cayman Islands is experiencing significant growth, driven by the increasing popularity of sidacar models and the expansion into new lines of business. These structures allow reinsurers to bring in third-party capital, providing additional capacity and diversification benefits, while giving investors the opportunity to participate in the reinsurance market. These trends are occurring against a backdrop of regulatory changes which can create challenges for reinsurers, particularly when it comes to ensuring that all stakeholders are aligned around the intent and objectives of the transaction.

The growth of asset-intensive life reinsurance

Asset-intensive life reinsurance has become a significant driver of growth in reinsurance markets. These transactions involve the ceding of long-term life and annuity liabilities, along with associated assets, to a reinsurer which frees up capital and improves its risk profile for the cedant and provides stable stream of income and the opportunity to generate attractive returns to reinsurers. Recently, driven by the low-interest rate environment, there has been a shift in the approach to these transactions from liability-driven to asset-driven with reinsurers starting with a portfolio of assets and seeking out liabilities that match those assets. This approach often involves higher yielding assets which introduces new risks and challenges related to valuation and risk management of these assets and reinsurers need to have ensure their processes are robust to address these challenges.

The changing environment for deals

Economic uncertainty and fluctuating interest rates are affecting the reinsurance deal environment by impacting profitability of reinsurance transactions and requiring adjustments to pricing and risk management strategies. It underscores the importance of adapting to these changes and developing strategies to mitigate potential negative impacts and maintain competitive edges.

Data privacy and security in cross-border transactions

Reinsurers must have robust data management strategies in cross-border transactions to manage personally identifiable information to ensure regulatory compliance (often with multiple jurisdictions having different rules and requirements) and to maintain trust with stakeholders, as breaches can have severe legal and reputational consequences.

Thought leadership:

- [Navigating reinsurance strategies](#)



Economic update

New year, new agenda: Beware of unintended consequences

With the new Trump administration in place, the new year is seeing many changes that will impact the economy in a variety of ways. In the recent edition of the KPMG Economic Compass, three scenarios are discussed that capture the possible impact of the president's key agenda items. The key impacts considered in these scenarios are the following potential policy drivers:

- Tax cuts
- Tariffs on goods and the resulting potential trade wars
- Reduced government spending
- Immigration impacts on the workforce and communities impacted from deportations and lack of workers

These along with potential changes at the Federal Reserve could impact inflation, interest rates and government deficits and could lead to unintended consequences as the policies are implemented.

The global government debt balloon

The January 2025 edition of the Global Navigator from KPMG Economics discusses the rapid increase in global government debt since the pandemic, with over \$24 trillion added to debt balances. This surge has led to higher costs for servicing debt due to rising interest rates. Additionally, there has been a widening gap between short- and long-term bond yields, driven by increased debt issuance, reduced central bank asset purchases, inflation concerns, and slower rate cuts. Government debt defaults seem likely in the future and the resulting rescue packages and austerity measures will have long term economic and social implications.

Thought leadership:

- [Economic Compass: New Year, New Agenda](#)
- [Global Navigator: The Global Government Debt Balloon, Defaults Are Not Impossible](#)
- [Webcast Replay: Economic Outlook 2025 with Chief Economist Diane Swonk](#)
- [Insights from KPMG Economics](#)



Navigating insurance coverage challenges in the energy sector

Confronting climate change risks

Climate change poses significant physical and transition risks to the energy sector. Increasing frequency and severity of extreme weather events such as hurricanes, wildfires, and convective storms threaten energy infrastructure and operations. Utilities face escalating wildfire liability risks due to inverse condemnation laws that can hold them strictly liable for wildfire damages linked to their equipment. Transitioning away from fossil fuels also creates transition risks for companies with relationships or investments tied to carbon-intensive industries.

Insurance plays a crucial role in managing these climate risks. However, insurers are reducing capacity for certain energy risks as catastrophic losses mount. This protection gap forces companies to explore alternative risk transfer solutions such as captives and insurance-linked securities. Robust climate data and risk modeling become imperative for properly underwriting and pricing these evolving exposures.

Ultimately, a multi-faceted approach integrating risk transfer, resilience measures, and sustainability initiatives will be crucial for the energy sector's climate resilience.

Overcoming insurance capacity crunch

The insurance industry is facing significant capacity challenges in the energy sector and there is a substantial protection gap between global economic losses and insured losses. Weather related claims are driving substantial losses and insurers are reluctant to deploy capital in certain industries and geographies due to climate change concerns and the risk of litigation.

Embracing captives and alternative risk solutions

Captives are playing an increasingly important role for companies facing capacity challenges and rising insurance costs. Many large energy companies already have captives but are exploring ways to expand their use and ensuring existing captives are meeting their intended purpose. In addition to captives, alternative risk transfer solutions such as insurance linked securities are being utilized to complement commercial insurance markets.

Navigating the Environmental, Social and Governance (ESG) landscape

ESG considerations present challenges in obtaining insurance coverage as some carriers are reluctant to deploy capacity for certain industries. Energy companies are enhancing ESG risk mitigation strategies as these initiatives can strengthen the narrative for securing insurance capacity.

Thought leadership:

- [Navigating insurance coverage challenges in the energy sector](#)

Addressing top-of-mind insurance issues (continued)



Securing the Future: Exploring Risk in the Insurance Industry

Assessing emerging risks

In a fast-paced world marked by technological advancements, evolving customer expectations, climate change, and regulatory shifts, insurers need robust processes to continuously monitor and assess emerging risks. Incorporating data from traditional sources along with advanced technologies like natural language processing and machine learning can help risk teams quickly identify patterns and potential risks that might otherwise go unnoticed.

While technology is becoming an increasingly important part of the risk assessment process, collaboration between risk teams and business units is crucial to get a holistic view of the risk landscape, and consider factors such as coverage implications, potential exposure and the effectiveness of risk mitigation strategies.

Technology: Challenges, opportunities, and resilience

Technology has become both a transformative force and a potential source of new risk. As companies eagerly adopt tools like artificial intelligence (AI), blockchain, and cloud computing, they must also navigate a complex maze of challenges and uncertainties.

The growing consolidation of technology services and platforms means that a single cyberattack or outage can have cascading effects across sectors. Insurers must therefore understand and mitigate the potential aggregation risk stemming from interconnected systems.

Changing customer demands

Changing customer demands and expectations for digital experiences are leading to disruptions in traditional distribution models, with insurers investing in digitizing processes, leveraging data analytics, and developing innovative products.

The evolving role of risk management

The role of risk management is evolving from a compliance-oriented function to a strategic partner in decision-making. Risk management teams are gaining senior management buy-in by demonstrating their value in enabling informed decisions. Embedding a risk-aware culture throughout the organization is critical and combining technology, human insight, and creativity to create a resilient framework will enable insurers to understand and prepare for an uncertain future.

Thought leadership:

- [Securing the future: Exploring risk in the insurance industry](#)



Regulatory Update

The Trump administration undertook a flurry of actions in its first week in office with more to come across an array of policy areas. This is consistent with a desire for rapid policy shifts, with the new Administration setting forth an initial set of Day One executive orders and memorandums. Insurers will need to closely monitor activities for potential impacts to their organizations. While an evolving topic, there were several actions taken and more expected which could change the regulatory landscape but given the political landscape, legal activity and opposition is anticipated to many of the actions, as highlighted below.

- **Swift Actions:** Establishment of acting agency leadership and the issuance of new Executive actions and orders across an array of policy areas (e.g., immigration, energy and diversity, equity & inclusion).
- **More Coming:** Expect a continued flurry of actions and orders across additional policy areas in the coming week(s). Increasing regulatory patchwork across federal, state and global.
- **Revised Course:** Agency leadership changes and Administration directives will increase short-term disruption to assess and implement.
- **Legal Actions:** Expect legal activity against new and evolving Administration actions.

To date, the activity has been focused on the following areas:

- **Regulatory Freeze:** Memorandum that pauses the proposal and issuance any rules until reviewed and approved by the new administration and other actions such as postponing recently issued rules and opening/re-opening comment period and modernizing reviews of proposed regulations.
- **Artificial Intelligence:** Executive order focused on the safe, secure and trustworthy development and use of artificial intelligence.
- **Climate/Environment:** Several executive orders such as "Putting America first in International Environmental Agreements", "Declaring a National Energy Emergency" and "Unleashing American Energy".
- **Digital Assets/Crypto:** Executive order intended to promote U.S. leadership in digital assets (defined to include cryptocurrencies, digital tokens, and stablecoins) and financial technology,

Thought leadership:

- [Day One: Orders on "Regulatory Freeze", AI, Climate/Environment](#)
- [Day One: Order on Digital Assets/Crypto \(and SEC SAB 121\)](#)
- [Ten Key Regulatory Challenges of 2025](#)
- [Post-Election Regulatory Insights Industry View](#)
- [First 100 Days: Upcoming Regulatory Signals - Financial Services](#)



The Evolving Role of Tax in Insurance

Tax considerations continue to play a critical role in the financial health and strategic decision-making for insurers. In an evolving regulatory landscape, tax professionals are tasked with navigating complex issues such as managing the impact of changing tax laws and regulations and are expected to be strategic partners to the business, providing valuable insights and guidance on a wide range of issues.

Managing uncertainty in the face of potential tax changes:

With the possibility of major tax reform, tax leaders continue to work under a sense of uncertainty. From the "fiscal cliff" of expiring tax provisions to proposals for raising or lowering the corporate rate, tax directors need to stay on top of changes (including those from global minimum tax regimes, where applicable) that could dramatically impact their companies' tax positions and liabilities.

Increased Tax Audits:

Insurance companies are facing a rising tide of tax audits and controversies from federal and state authorities. Increased federal and state audits and examinations are requiring insurers to devote significant resources to responding to information requests. Robust data management and documentation processes are critical to minimize disruption and substantiate tax treatments. By investing in tax control frameworks, audit response playbooks, and building relationships with auditors up front, insurance tax departments can tackle issues more effectively.

Adapting to New Work Models and Deploying Technology:

The COVID-19 pandemic accelerated the digitalization of the tax function, with tax teams embracing remote work and new technologies. Robotic process automation, data analysis platforms, and AI-powered software are becoming essential tools for tax departments to manage routine tasks and maintain efficiency.

Ensuring Tax Has a Seat at the Table:

Tax leaders have an opportunity to be seen as strategic partners by providing strategic tax advice and building strong relationships across the organization. Effective communication and collaboration with stakeholders are crucial for tax professionals to highlight their value and ensure they are involved in key business decisions.

Thought leadership:

- [The evolving role of tax in insurance](#)
- [January 2025: Accounting for Income Taxes Bulletin](#)
- [Podcasts: Catching up on Capitol Hill](#)

Additional insights and learning opportunities

Explore more insights:

KPMG understands that staying at the forefront of innovation is critical for all insurance companies. We offer powerful insights and integrated solutions to help them navigate the dynamic world.

Featured insurance insight:



[On the 2025 insurance board agenda](#)

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Financial reporting and controls:

- [Issues and Trends: Fall 2024 NAIC Meeting](#)
- [Hot Topic: Focus on 2026 reporting for California Climate Laws](#)
- [Corporate Controller & CAO Hot Topics: AI Adoption Spotlight](#)
- [Impact of EU sustainability reporting on US companies](#)

Upcoming Webcasts:

- [March 18 or 19, 2025 Webcast - Q1 2025 Quarterly Outlook](#)

Webcast Replays:

- [Webcast Replay: On the 2025 Board Agenda](#)
- [Webcast Replay: Chief Audit Executive Outlook for 2025: A new administration, a new path forward](#)
- [Webcast Replay: SEC priorities and comment letter trends 2024](#)
- [Webcast Replay: SEC Update 2025](#)
- [Webcast Replay: The Ever-Changing Landscape of Internal Controls over Financial Reporting](#)
- [Webcast Replay: 2025 Risk and Regulatory Outlook](#)
- [Webcast Replay: Sustainability Reporting: US landscape](#)

Insurance Webcasts And Events



Insurance Industry Symposium

Occurred December 3, 2024

Virtual event featured timely updates on insurance industry issues from KPMG professionals.

[Watch replay >>](#)

Save the date: 37th Annual Insurance Industry Conference

September 16-17, 2025

This conference will provide a day and a half of engaging exchanges, thought-provoking panel discussions, and inspiring sessions.

[More information >>](#)



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