

THE CARRIER PERSPECTIVE:

2025 CLAIMS INSIGHTS





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Optimizing Operations Amid a Complicated Insurance Environment

The global insurance sector is currently experiencing diverse and complex market pressures, with conditions varying significantly by region. In North America, we're seeing a tightening market shaped by economic factors and competitive dynamics. Over two-thirds of respondents to our survey reported that these challenges are driving higher claims costs, which ultimately leads to increased premiums.

However, rising claims costs are only part of a larger puzzle. Additional drivers, such as the increased cost of reinsurance, social inflation, regulatory shifts, climate change, and the frequency of natural disasters, have also contributed to higher claims costs worldwide. While the driving factors are similar, regional nuances have shaped different outcomes across the globe.

Certain business lines, such as auto insurance, are facing additional conditions that are leading to increased premiums. There are several reasons for this, such as increased vehicle and replacement part costs and a rise in jury damages, including exorbitant jury awards that greatly impact the carrier's loss ratios.

Current market conditions are seeing carriers actively adjust strategies to manage costs and maintain profitability. Efforts to enhance operational efficiency and embrace innovative solutions are at the forefront, helping mitigate the financial impact of rising claims.

In North America, carriers are employing several key strategies, including premium adjustments, stricter underwriting guidelines, enhanced claims management, and a strong focus on technology investment. Carriers are also paying close attention to credit rating agencies, such as AM Best, for potential downgrades or negative outlooks that could influence market strategies and competitive positioning. With credit rating agencies anticipating that these challenges will persist in the reinsurance market, carriers should be paying close attention to the effects on the entire supply chain.

While most survey participants foresee a moderate to significant hardening of the market, there continue to be opportunities for carriers looking to differentiate themselves. Looking ahead, in 2025, advancements in data analytics, cybersecurity, and artificial intelligence will enable carriers to differentiate themselves in a competitive market. However, capitalizing on these would require significant investment. To optimize the return on investment, carriers can get the guidance of a trusted advisor with a deep understanding of the evolving nature of global challenges and technological innovations.

At Gallagher Bassett (GB), our dedicated Carrier Practice model is designed to maximize our ability to partner with carriers by offering a cross-functional team entirely focused on achieving their specific targets and goals, supporting managing general agents, program administrators, captives, and alternative risk managers. Additionally, our expertise in AI and our commitment to advancing machine learning through our Waypoint product suite empower us — and our partners — to capitalize on the latest benefits of generative AI. As technological advancements reshape the industry, GB is well-placed to help carriers adapt quickly to both the challenges and opportunities that come their way.

Our seasoned professionals take a proactive approach to managing risks, resolving claims, and optimizing outcomes by focusing on resiliency and efficiency. This ensures carriers stay ahead of the competition now and in the years ahead.

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Charting new horizons — trends shaping carriers and insurance markets

Economic volatility, climate change, technological advancements, and evolving customer expectations are transforming the insurance industry. Current market conditions have found carriers facing a wide range of challenges, from managing the financial impact of rising claims costs to navigating new regulatory requirements. These pressures are reshaping the operational landscape, influencing everything from strategic decision-making to resource allocation.

In this dynamic environment, staying informed is essential for carriers striving to remain competitive. To this end, we conducted a comprehensive survey to gather valuable insights from 200 respondents across North America, the United Kingdom, Australia, and New Zealand. In addition to typical insurance carriers, our survey participants included managing general agents (MGAs, 14%) and underwriting agencies (12%). This diverse representation offers a well-rounded view of the current landscape and insights into the challenges and opportunities shaping the global insurance industry.

KEY FINDINGS

- Data and cybersecurity risks are the most cited business challenges by global (44%) and North American (45%) carriers.
- 64% of global and 54% of North American carriers anticipate that the market will harden within the next 12 months.
- According to 77% of both global and North American carriers, accuracy of claims handling is the key quality metric to evaluate performance in claims management.
- 76% of North American carriers see reduced operational costs as the greatest value-add of generative AI adoption.

Key market challenges

Our survey results uncovered the primary challenges facing the insurance industry today. Both globally and in North America, three core challenges consistently stood out in our survey results: data and cybersecurity risks, premium affordability and insurability, as well as the increasing market competition. These issues highlight a business environment where financial pressures, digital vulnerabilities, and competitive dynamics are shaping industry priorities.

ORGANIZATION'S TOP THREE RANKED CURRENT CHALLENGES FACING THEIR BUSINESS

% of business challenges selection over all three ranks



For 45% of regional and 44% of global respondents, the most common risks were data and cybersecurity. This highlights the growing number of cyber incidents that can negatively impact both operations and client trust.

Emphasis on increasing premiums and selective underwriting

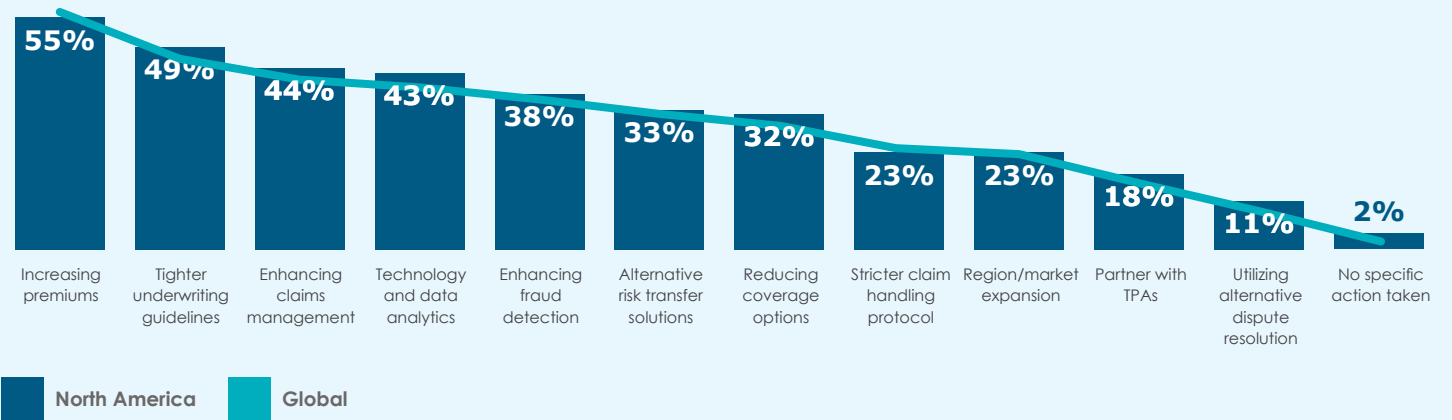
Increasing premium rates is the primary approach respondents have adopted globally (57%) and regionally (55%) to manage evolving market dynamics. Additionally, 47% of global respondents are focusing on strengthening their claims management processes to better handle the complexities of the market. Among North American participants, however, the second major focus is on implementing tighter underwriting guidelines. The market conditions have led carriers to be more selective over their underwriting decisions, scrutinizing applicants’ risk profiles more rigorously and often setting stricter terms and higher premiums.

Globally and regionally, nearly two-thirds of both survey participants agree that rising claims costs are the key driver of premium increases, denoting the importance of effective claims management and proactive strategic planning in mitigating the impact of an increasingly complicated market.

For 45% of regional and 44% of global respondents, the most common risks were data and cybersecurity.

ANTICIPATED COMPLIANCE AND REGULATORY CHALLENGES IN 2025

% anticipated compliance and regulatory challenges



Adapting cost strategies to manage social inflation and legacy claims

KEY FINDINGS

- Compared to last year, there is a marked increase in carriers identifying legacy claims as a challenge to profitability and efficiency, with global figures rising from 62% to 76%.
- Carriers are increasingly partnering with claims and risk management partners to enhance claims management, improve data efficiency, and streamline system integration.
- 55% of North American carriers are planning to increase premium rates to manage pricing and underwriting strategies.
- While the percentage of litigated claims being resolved has remained relatively consistent over the last decade, the average settlement amounts for these claims have risen significantly.

An uptick in the impact of legacy claims

Longtail exposures can have a substantial impact on a carrier's financial reserves, and in today's increasingly challenging market, this impact appears to be compounding. This year, 76% of carriers across the globe reported that legacy claims posed a challenge to organizational profitability and efficiency. This is a 14 percentage point increase from the previous reporting year, with North American carriers sharing similar sentiments, 71% reporting that legacy claims in casualty lines were a key challenge.

These concerns have made legacy claims a primary focus for North American carriers, many of whom are assessing the effectiveness of their current support and long-term strategies to manage legacy claims. The focus also extends to systems and processes that no longer align with modern technology and ways of working, which is a cost-intensive issue to address. Over time, the resources dedicated to handling these systems diminish, causing additional strain on business resources.

For organizations that are familiar with these challenges, working with a strategic partner is a cost-effective way to open the door to greater efficiency and enhanced technology. As legacy portfolios begin to close out, leveraging the value of a strategic partner and award-winning technologies becomes even more important to identify and unlock growth opportunities.

IMPACT OF LEGACY CLAIMS ON PROFITABILITY AND OPERATIONAL EFFICIENCY

% impact of legacy claims on organization

NORTH AMERICA



GLOBAL



The rise of claims and risk management partners in legacy claims handling

To manage the growing challenges of legacy claims, 35% of North American carriers are choosing to partner with third-party claims administrators. By partnering with an external expert, carriers can significantly enhance their legacy claims management, improve data management efficiency, and integrate systems more effectively.

As technology rapidly advances, many carriers are constrained by outdated claims systems. These legacy systems pose significant integration challenges, compliance risks, and inefficiencies in claims management. By leveraging advanced data analytics, carriers can gain data-driven insights into legacy claims, identifying hidden patterns and emerging risks. This empowers carriers to make informed decisions, optimize workflows, and proactively address challenges unique to legacy claims. Moreover, access to performance benchmarking metrics allows carriers to set realistic performance goals, monitor progress, and align strategies with industry best practices. This fosters a culture of sustainable excellence and elevates the overall efficiency and effectiveness of legacy claim portfolio management.

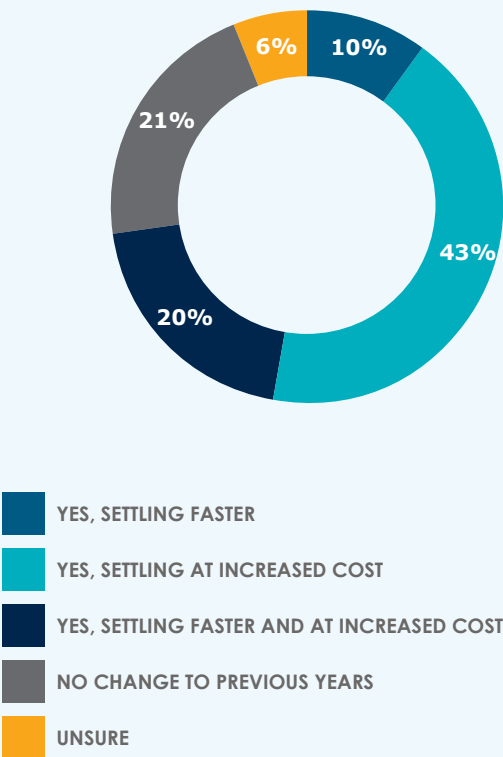
Settlement costs of litigated claims remain high

Globally, 54% of survey respondents report that litigated claims are settling at higher costs — with North American carriers marking a 10 percentage point increase in these claims closing at a higher cost. This rising trend draws attention to growing concerns regarding the financial burden of claim disputes worldwide amid a discernible shift towards speeding up resolutions despite financial escalation.

It is important to use advanced data analytics to tackle social inflation effectively and stay ahead of potentially high claims damages. Early detection of trends and patterns in claims helps refine your risk profile and enables proactive decision-making. Partnering with experts with access to a world-class RMIS suite, Luminos can enhance your analytics capabilities for smarter, data-driven decision-making.

CHANGE IN LITIGATED CLAIM SETTLEMENT SPEED AND COST

% perceived change in litigated claim settlement trends





Social inflation driving premiums up

In times of economic volatility, social inflation poses a growing challenge for insurers across all markets. This global trend, fueled by rising jury awards, monetary devaluation, and more lenient workers' compensation rulings, is driving insurance losses upward.¹

According to the Insurance Information Institute, social inflation has significantly impacted insurance claims, contributing an estimated \$30–\$34 billion (18%–20%) increase in commercial auto liability claims from 2012 to 2021. Research suggests that social inflation may be driving losses to rise 2%–3% annually above general inflation rates. Similar trends have been observed in other liability occurrence and medical malpractice claims-made categories, highlighting its broad influence across multiple insurance lines.²

While controlling social inflation remains challenging, carriers are opting for various strategies to help navigate its effects. Across North America, 55% of carriers are increasing premium rates as part of their strategy to manage pricing and underwriting in response to the impact of social inflation on coverage levels. However, this represents a 13 percentage point decrease compared to the 2024 survey, with carriers now shifting to other means to address concerns, including coverage limit modifications and pricing updates for litigation costs.

These adjustments further reflect a broader industry effort to balance the financial sustainability of insurance offerings with the evolving landscape of risk and coverage demands. As social inflation continues to influence the cost of claims and coverage, carriers are proactively adapting their approaches to ensure they can continue to provide comprehensive and effective insurance solutions.

According to the Insurance Information Institute, social inflation has significantly impacted insurance claims, contributing an estimated \$30–\$34 billion (18%–20%) increase in commercial auto liability claims from 2012 to 2021.

In direct response to the impact of social inflation on the cost and complexity of claims, 51% of global and 48% of North American carriers are increasingly turning to alternative dispute resolution methods as part of their claims settlement strategies. Some carriers are addressing social inflation through proactive approaches to litigation, such as offering mediation to resolve disputes before jury trials, targeting structured settlements that offer tax advantages, or even agreeing on high/low brackets on jury verdicts to reduce financial uncertainty.

By adopting these alternative dispute resolution methods, carriers can streamline the claims settlement process, reduce litigation costs, and achieve more efficient and equitable outcomes. This approach helps manage the financial pressures associated with social inflation and enhances the overall claims experience for policyholders by providing faster and potentially less adversarial resolutions.

Settlement rates remain consistent, but values rise

Over the past decade, GB’s data shows that settlement rates have held steady, fluctuating between 73% and 77%. However, the average settlement amount has seen a significant increase. In 2014, GB reported an average settlement of \$41,000, which rose to \$64,000 by 2023.

Rates of inflation notwithstanding, this increase in average settlement payments underscores the impact of various factors, such as social inflation and rising litigation costs, on the overall cost of claims. These trends underscore the growing financial burden on carriers, as reflected in GB’s extensive claims management experience.

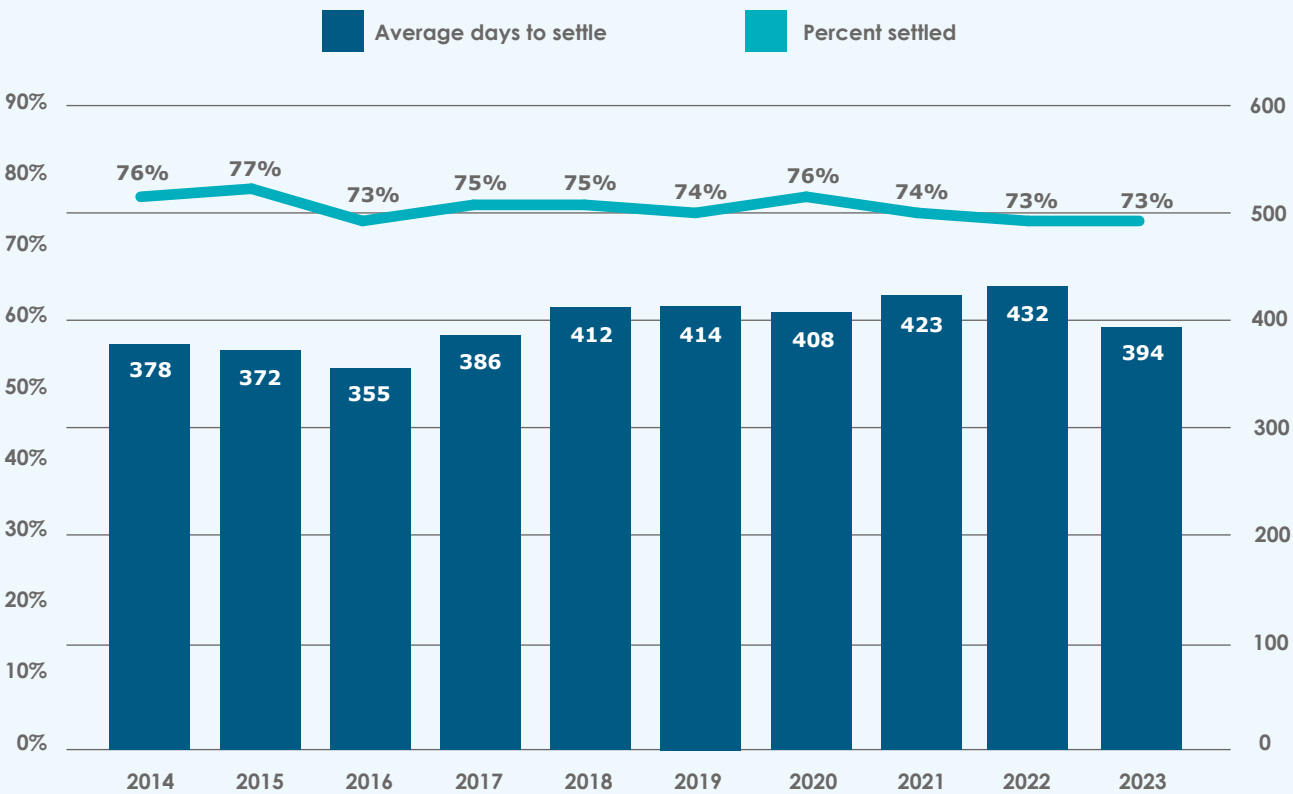
To mitigate these rising costs, it is crucial for carriers to adopt proactive risk management strategies and leverage data analytics to better predict and manage potential claims. Additionally, fostering strong relationships with legal experts and investing in comprehensive training for claims adjusters can help in effectively navigating the complexities of modern litigation.

¹<https://insurers.gallagherbassett.com/insights/six-strategies-for-managing-social-inflation/>

²Lynch, Jim, and Dave Moore. "SOCIAL INFLATION AND LOSS DEVELOPMENT — AN UPDATE." Insurance Information Institute. Accessed 10 Dec. 2024.

SOCIAL INFLATION: SETTLEMENT TRENDS

Settlement rates and average days to settle



From risks to resilience: evolving cybersecurity strategies for carriers

KEY FINDINGS

- The vast majority of North American (88%) and global (84%) carriers have implemented enhanced cybersecurity measures to combat the increasing severity of cyber events.
- Nearly half of both North American and global respondents identify data and cybersecurity risks as the most common challenge faced by businesses in the insurance landscape, making it the top-mentioned concern.
- 75% of North American carriers have strengthened data security and privacy protocols to prevent improper data loss.

Cybersecurity in business resilience

Global business operations rely heavily on digital technologies and interconnected systems, making robust cybersecurity measures essential to business continuity.¹ As the volume of data stored in cloud environments continues to grow, many carriers are navigating how to harness these technologies effectively while ensuring sensitive information remains secure.

In the last 12 months, cybersecurity risks have become one of the most significant challenges facing businesses. Both global and North American carriers cited data and cybersecurity risks as the top concern in our 2025 survey. This reflects the heightened urgency to mitigate vulnerabilities that could lead to operational disruptions, reputational damage, or financial losses.

Strategic responses to evolving cyber threats

The implications of cybersecurity risks extend far beyond data breaches. From legal liabilities to prolonged business interruptions, the fallout of a cyber event can be severe.² For carriers, who manage vast amounts of sensitive customer data, the stakes are particularly high.

Recognizing this, 88% of North American carriers we surveyed have proactively implemented enhanced cybersecurity measures to address the growing frequency and severity of these events. These efforts underscore a broader industry acknowledgment that resilience against cyber threats requires a multifaceted approach.

Additionally, 75% of North American carriers have introduced stricter data security and privacy protocols into their risk management strategies, aiming to protect against improper data release. A similar number of respondents have also introduced stricter data-sharing protocols to their strategies, ensuring that sensitive information is handled securely at every stage.

ADAPTATIONS MADE TO ACCOUNT FOR INCREASED FREQUENCY AND SEVERITY OF CYBER EVENTS

% adaptations made to account for increased frequency and severity of cyber events

ENHANCING CYBERSECURITY MEASURES



TIGHTENING VENDOR CONTRACTS AND DATA-SHARING AGREEMENTS



FOCUSING ON RAPID INCIDENT RESPONSE STRATEGIES



INCREASING CYBER INSURANCE COVERAGE



NO SIGNIFICANT CHANGES



Managing risks through vendor relationships

An important component of these strategies is addressing vulnerabilities within vendor relationships. Globally and in North America, nearly two-thirds of survey participants have tightened vendor contracts and data-sharing agreements in response to the prevalence of cyber events. This strategic shift signals a growing focus on securing the supply chain as an extension of internal operations.

By strengthening vendor relationships and enforcing higher security standards, carriers are reducing the potential for disruptions originating from third-party partners. This holistic approach highlights the importance of a secure, well-managed ecosystem in maintaining operational continuity. Additionally, partnering with claims handling specialists with the ability to account for different cyber coverages and, paired with strong technical skills, allows carriers to efficiently and effectively minimize risk from cyber exposure.

88% of North American carriers we surveyed have proactively implemented enhanced cybersecurity measures to address the growing frequency and severity of cyber events.

¹Neagle, Shane. "[How Digital Transformation is Redefining Global Business Operations](#)." *Global Trade*, 20 Jan. 2024.

²Mickelson, Kirsten. "[Understanding the Game in Order to Win](#)." *Claims and Litigation Management*, 02 Apr. 2024.



Streamlining claims with generative AI

KEY FINDINGS

- Over half of global and North American carriers have leveraged generative AI for fraud detection.
- 63% of North American carriers use generative AI as part of claims resolution, marking a 24 percentage point increase from 2024.
- 77% of North American responders are using generative AI to automate routine tasks.

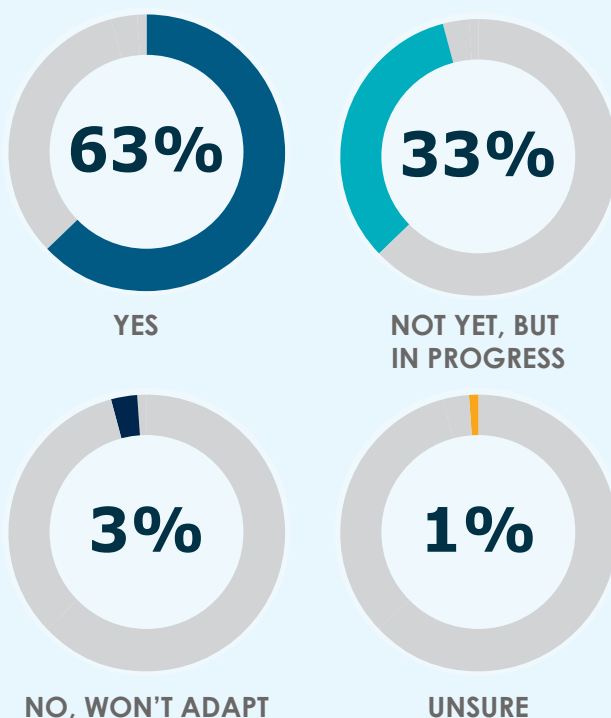
Generative AI: Transforming insurance operations

Generative AI is rapidly redefining claims management in the insurance industry, offering transformative applications across the claims lifecycle. From intake and triage to fraud detection and customer communication, carriers are leveraging generative AI to improve accuracy, efficiency, and customer satisfaction.

According to our latest survey, 63% of North American carriers now use generative AI for claims resolution — a significant rise of 24 percentage points compared to last year. Fraud detection remains a key focus, with over half of global and North American survey respondents utilizing generative AI to identify fraudulent activities. Globally, carriers are also emphasizing their role in enhancing customer communication and support, ensuring the timely and efficient resolution of claims.

ADOPTION OF GENERATIVE AI FOR CLAIM RESOLUTION

Artificial Intelligence adoption %



By freeing up more time for our resolutions to focus on claim resolution (vs. more route tasks), we are enabling our risk managers to provide better service and better claims outcomes for our clients and claimants.

GB'S SUITE OF GENERATIVE AI TOOLS INCLUDE:



CLAIM SUMMARIZER

to review claim information and provide a comprehensive summary report.



DOCUMENT INSIGHTS

to review documents, provide a detailed summary, and enable users to ask further questions.



E-MAIL SENTRY

to improve service by flagging time-sensitive emails, including classification and due date.



AI FOR TELEPHONY

to provide comprehensive insights into claimant interactions.

Optimizing claims and workforce efficiency

Across regions, carriers are increasingly turning to generative AI to streamline operations and address resource challenges. Around three-quarters of surveyed carriers identified task automation as the primary use of generative AI, with reduced operational costs cited as its most significant value. Speeding up claims processing ranks as a close second, demonstrating how generative AI is helping carriers achieve greater productivity while maintaining high-quality outcomes.

The integration of generative AI is also reshaping workforce dynamics, enabling employees to focus on complex cases while routine tasks are handled more efficiently.¹ By adopting these technologies, carriers are positioning themselves to meet growing customer demands and maintain a competitive edge in a fast-paced market.

Future opportunities and collaborating for better outcomes

As generative AI continues to transform claims management, many carriers are finding value in partnerships with organizations that offer both innovative technology and a deep understanding of operational challenges.

These collaborations can help streamline processes, integrate generative AI effectively, and enhance the overall quality of claims outcomes — all while maintaining the human touch in customer interactions.

The future of claims management is set to be shaped by advancements in artificial intelligence, with generative AI leading the way.² As the technology evolves, its applications are expected to expand into predictive analytics, more sophisticated fraud prevention mechanisms, and highly personalized customer experiences. These advancements will enable carriers to anticipate challenges, optimize decision-making, and proactively adapt to evolving market demands. A forward-looking strategy that embraces innovation will help carriers stay competitive and deliver lasting value in an increasingly dynamic industry.

¹"HOW AI IS SHAPING THE WORKPLACE AND WORKFORCE DEVELOPMENT." *HEC Paris*, 15 Nov. 2024.

²Costa, Emanuele, and Nadine Moore. "GenAI Will Write the Future of Insurance Claims." *Boston Consulting Group*, 13 Dec. 2023.

Work in transition: navigating retention and workplace safety

KEY FINDINGS

- Globally, 72% of carriers believe that labor market shortages have impacted organizational ability to grow and manage claims efficiently.
- 61% of North American carriers identify flexible work arrangements as crucial to employee retention.
- Notably, investment in training and development has decreased by 23 percentage points since last year.

Addressing labor shortages through growth and employee retention

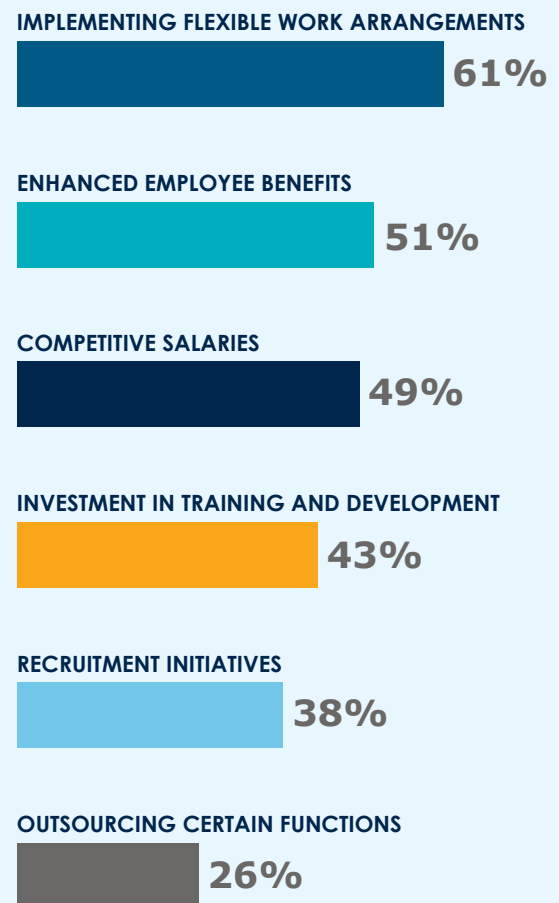
Labor shortages continue to create ripple effects across industries globally, with healthcare facing particularly acute challenges. Increased workloads and exposure to occupational hazards contribute to a global trend of labor shortages, with 72% of carriers reporting a moderate to significant impact on their organizational ability to grow and manage claims efficiently. In North America, 66% of carriers express similar concerns.

Today's workforce values more holistic support, prioritizing culture, wellbeing, and growth opportunities over salary alone. Reflecting this, in North America, carriers have adapted their employment retention strategies with an increased focus on the wider remuneration and lifestyle package — incorporating benefits and personalized choices — as opposed to primarily relying on competitive salaries as the key to keeping staff. This shift in focus also correlates with a notable 23 percentage point decrease in investment in training and development.

Globally, 60% of respondents say that enhanced employee benefits are their top strategy for attracting and retaining skilled talent. In North America, however, the leading strategy (according to 61% of carriers) is offering flexible work arrangements, reflecting employees' desire for healthy work-life balance. This shift underscores a growing need for organizations to focus on employee centricity and to enhance the overall work experience.

TOP STRATEGIES FOR RETAINING EMPLOYEES

% employment of strategies for retaining employees





The impact of workplace violence on employee wellbeing

The psychological and physical toll of workplace violence is a growing concern in North America, especially in sectors such as healthcare. A 2023 survey of practicing physicians in the US found that violence was more prevalent in urban and suburban centers, with 96.1% reporting verbal abuse or insults and over half facing discrimination or sexual harassment in their workplace.¹ More than half of nurses (53%) in Minnesota hospitals considered leaving their job entirely due to workplace violence.² These issues can have lasting impacts on employees' mental health and lead to a negative workplace culture, lowering morale and productivity.

However, the current workforce is more mindful of the serious implications of workplace violence. Nearly all US employees (97%) believe it is important to feel safe at work, regardless of whether they work from home, in the office, or hybrid. Additionally, 79% of all employees place extreme importance on physical safety.³ This underscores the importance of employees' welfare for organizations and fostering a culture where safety and wellbeing are prioritized.

Long-term solutions for workforce safety and operational efficiency

Addressing labor shortages and workplace violence requires a proactive and multi-faceted approach to foster resilience in the evolving workforce landscape. Carriers are increasingly exploring tailored strategies that integrate safety measures with operational efficiency to protect employee wellbeing and mitigate risks. From workplace modifications to the adoption of innovative safety technologies, these initiatives can help enhance workplace safety, reduce liability risks, and promote a culture of wellbeing.

In addition to immediate safety measures, many carriers are exploring longer-term approaches to balance employee health with operational efficiency. Data-driven insights, collaborative planning, and tailored risk management frameworks are becoming central to navigating these evolving conditions while maintaining claims management efficiency and underwriting performance.

¹Charles, Shamard. "Unsafe haven: [The rise of violence against physicians in the workplace.](#)" *MDLinx*, 27 Apr. 2023.

²"[VIOLENCE Due to Unsafe Staffing Drives Nurses from the Bedside.](#)" *Minnesota Nurses Association*, 14 Mar. 2024, PDF download.

³"[The State of Employee Safety in 2024.](#)" *AlertMedia*, 2024.

The climate shift: preparing a response plan

KEY FINDINGS

- 81% of global carriers are adjusting resource management strategies to handle more frequent catastrophic (CAT) weather events.
- Nearly two-thirds of global and North American carriers are investing in technology to enhance operational efficiency and manage downtime between CAT events.
- Rising temperatures, particularly 100°F conditions, are driving an increase in North American workers' compensation claims.
- 40% of North American carriers are expecting enhancements in monitoring and reporting systems for heat-related incidents due to climate change.
- 53% of North American carriers see an increase in demand for climate-specific insurance products, reflecting a 27 percentage point increase compared to the previous year.

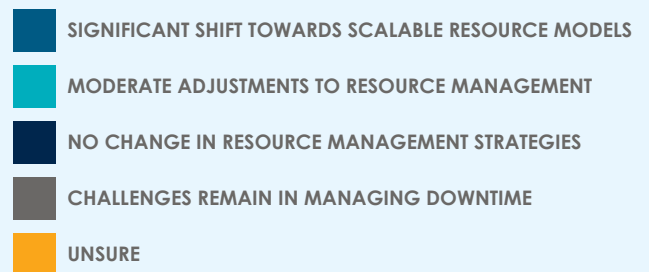
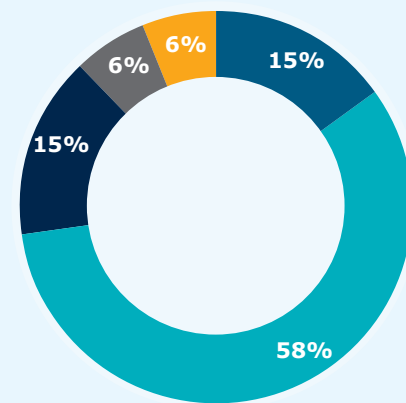
Adjusting resource strategies as climate change intensifies

The accelerating impact of climate change is driving more frequent and severe weather events globally — prolonged droughts, extended wildfire seasons, severe rainfall, hurricanes, and storm surge flooding — all escalating risks and response costs.¹ As a result, 81% of global carriers are adjusting their resource management strategies to better handle these events, particularly during downtimes of CAT events.

In North America, 58% of carriers report moderate shifts in resource management, with 15% making significant moves toward flexible, scalable resource models — higher than the global average of 13%. This approach allows carriers to scale resources effectively for unpredictable demand without overextending during quieter periods.

RESOURCE MANAGEMENT STRATEGIES TO HANDLE THE INCREASED FREQUENCY OF CAT EVENTS

% adaptation in resource management for increased frequency of CAT events





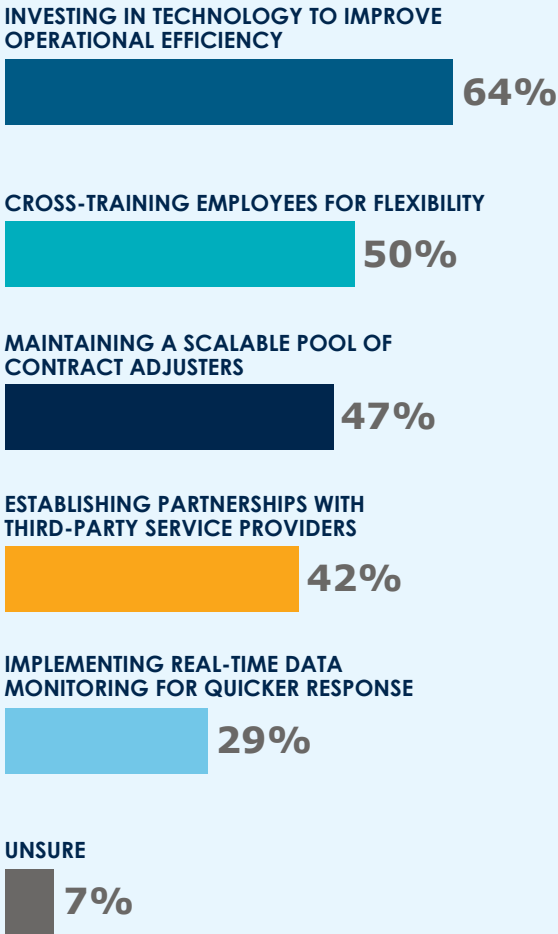
Prioritizing technology and flexibility to strengthen CAT preparedness

With escalating climate risks, leveraging best practices enables organizations to stay agile and ready. GB’s survey results indicate that two-thirds of carriers both globally and in North America are prioritizing technology investments to enhance operational efficiency as the top CAT downtime best practice. Our survey highlights a global recognition that investment in advanced tech solutions can not only massively improve real-time data access, expedite claims processing, and improve customer service, but can also support resilience against the growing prevalence of CAT events.

A secondary priority, according to over half of global survey respondents, is maintaining a scalable pool of contract adjusters. This approach enables carriers to manage surges in claims after CAT events without overstressing their existing workforce and minimizing running costs during downtimes. Meanwhile, in North America, 50% of the surveyed carriers are focusing on cross-training employees for flexibility. This practice can help minimize idle time, optimize resource allocation, and reduce reliance on specialized roles while improving employee engagement.

BEST PRACTICES USED TO MANAGE DOWNTIMES BETWEEN CAT EVENTS

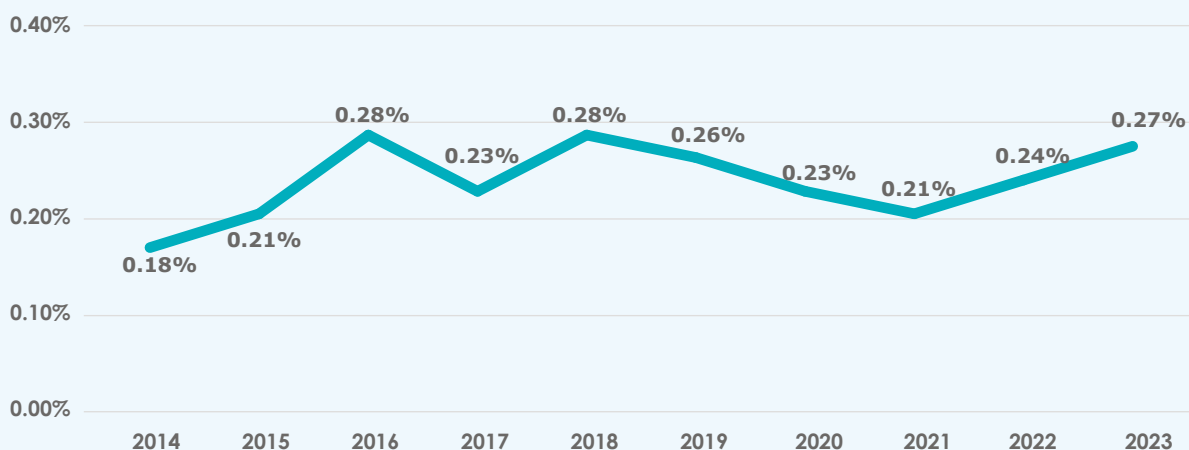
Best practice % utilization for downtimes between CAT events



The rising mercury and uncertainties of climate change are posing greater risks on workers, especially those employed in outdoor working environments, with increasing heat-related illnesses, including heat exhaustion and heat stroke. GB's data shows an uptick in heat exposure claims in North America since 2021, reflecting a growing challenge in managing workers' compensation claims. Aligning with these findings, 46% of carriers in the region have noticed a moderate to significant increase in the frequency of such claims associated with extended exposure to intensely hot conditions. The sentiment remains consistent worldwide, with 47% of global carriers reporting the same.

CLIMATE CHANGE: FREQUENCY FROM HEAT EXPOSURE

% of claims caused by heat exposure



Reflecting on this, organizations have begun to implement enhanced safety measures and long-term strategies, such as revising workplace safety policies and adjusting operational hours, to effectively address the ongoing impact of heat exposure on employee health and claims frequency.

Rising demand for climate-specific insurance

As adverse climate trends intensify, risk management strategies for insurers and clients face unprecedented pressures. Globally, 57% of carriers expect climate trends will force their clients to make adjustments to their insurance coverage and risk assessments, followed closely by investments in health and safety training programs (45%). While the North American carriers agree that adjustments to insurance coverage and risk assessment will be the most impacted, they believe the second-highest major impact will be on the monitoring and reporting systems for heat-related incidents.

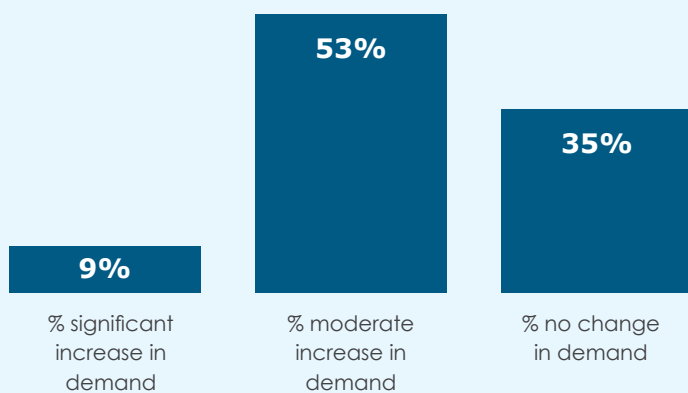
Due to the severity of climate change-related impacts, carriers are observing an increasing demand for climate-specific insurance products. Globally, more than two-thirds of surveyed participants report a rise in requests for climate-specific insurance lines and coverage options from policyholders. In North America, 62% of carriers note a similar demand, reflecting a 27 percentage point increase in the trend compared to the previous year.

The shift in client requirements also affects how carriers assess risk, as they must increasingly consider evolving climate impacts when underwriting policies and calculating premiums. This underscores the growing need for targeted protection against climate-driven events as environmental conditions change.



TRENDS IN DEMAND FOR CLIMATE-SPECIFIC INSURANCE PRODUCTS OR COVERAGE OPTIONS

% demand for climate-specific insurance products



Note: 3% of respondents were unsure about changes in demand.

A collaborative approach to climate resilience

The increasing frequency and intensity of climate-related events highlight the industry's need to adopt more proactive, forward-looking strategies. Scaling resource management, investing in advanced technologies, and developing climate-specific insurance solutions are critical steps for building resilience. By focusing on these priorities, carriers can anticipate emerging hazards, address evolving client needs, and create frameworks that safeguard people, assets, and communities.

Collaborating with trusted partners who have deep expertise in claims management and risk mitigation can provide support in navigating these complex challenges. A collaborative approach not only enables the industry to adapt more effectively to intensifying climate risks but also fosters long-term resilience and innovation in insurance practices.

¹¹"U.S. Billion-Dollar Weather and Climate Disasters 2024." NOAA National Centers for Environmental Information (NCEI). Accessed 9 Dec. 2024.

How data privacy concerns are reshaping ESG and regulatory compliance

KEY FINDINGS

- ESG priorities vary regionally, with 53% of global carriers identifying environmental factors as the primary driver of strategy over the next 3–5 years, while in North America, environmental (45%) and governance (43%) concerns are closely ranked, showing a similar impact.
- In North America, 69% rank data privacy and security compliance, as their top regulatory challenge.
- Over half of carriers globally anticipate difficulties keeping up with compliance and regulatory changes in 2025.
- 16 percentage point-increase from 2024 in North American carriers engaging with claims management partners to support regulatory compliance.

ESG criteria shape strategic planning; carriers take a cautious approach

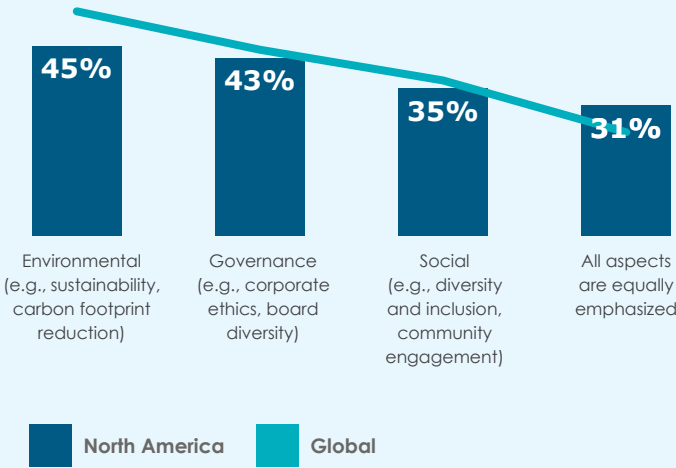
Institutional investors are increasingly incorporating environmental, social, and governance (ESG) factors into investment decision-making to manage risks and support sustainable long-term growth. North American investors are focusing on ESG not only as a responsible investment strategy but also as a safeguard against potential future liabilities.¹ For carriers, this shift has necessitated the consideration of ESG factors in strategic planning, fundamentally reshaping how they approach risk and investment.

Our survey reinforces this through responses from carriers globally, with over half of respondents (53%) anticipating environmental factors to have the most significant impact on their ESG organizational strategies in the coming 3–5 years, compared to social and governance considerations. North American carriers echo a similar sentiment.

However, this perspective is shared by only 45% of carriers, indicating a slightly lower prioritization of environmental concerns within ESG frameworks. Interestingly, North American carriers (44%) view the governance aspect to be the next key influence over organizational strategies, while global carriers (44%) place the social element as the second priority. This could be attributed to the level of regulatory scrutiny and higher risk of shareholder litigation that North American businesses face.

ESG’S IMPACT ON ORGANIZATIONAL STRATEGY OVER THE NEXT 3–5 YEARS

ESG’s % areas of impact on organizational strategy

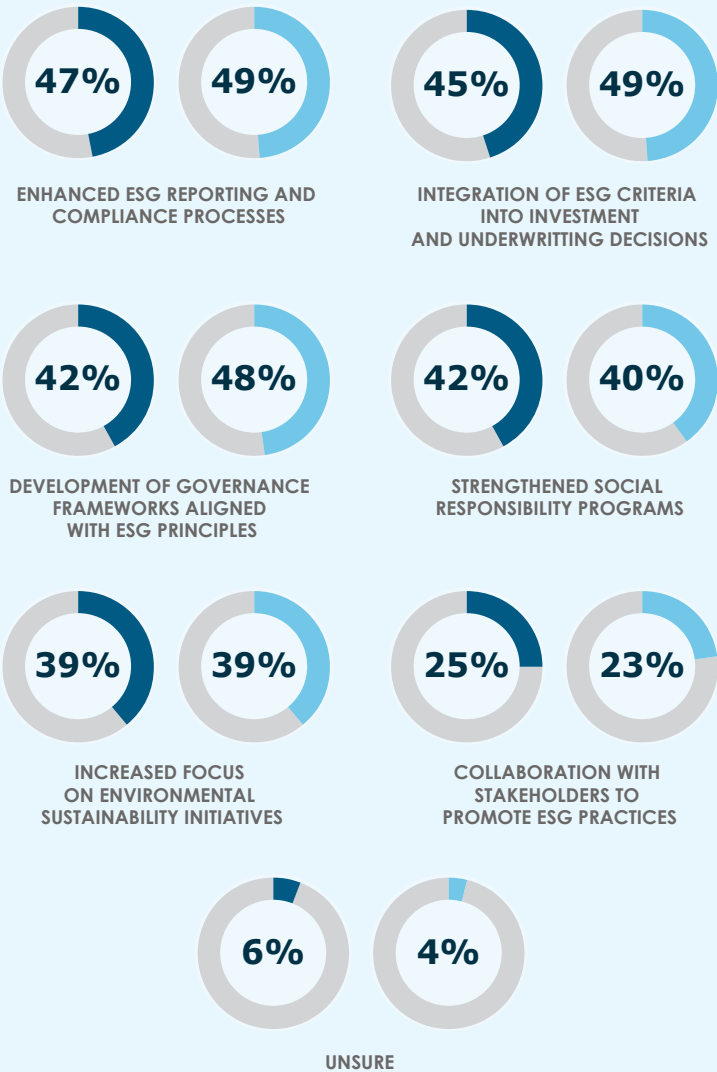




Data privacy tops compliance and regulatory challenges

ADAPTION IN ORGANIZATIONAL STRATEGY FROM ESG'S INCREASED IMPORTANCE

ESG's % adaption in organizational strategy



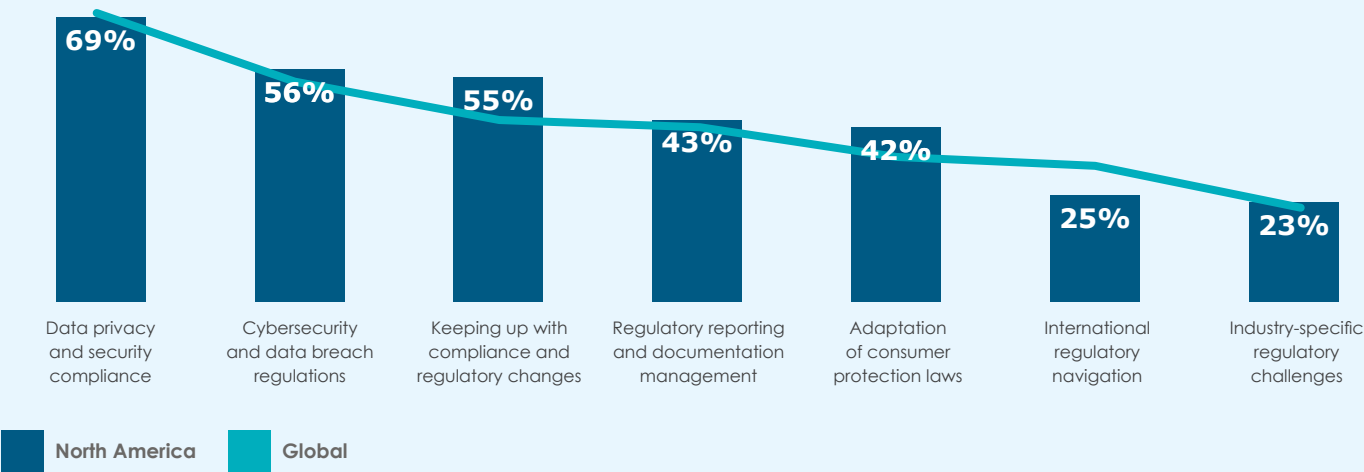
Recent climate disclosure norms in corporate reporting have led organizations to increasingly adapt ESG criteria to their business strategies. Globally, 49% of carriers are enhancing ESG reporting and regulatory compliance processes and integrating them into investment and underwriting decisions to adapt to growing market considerations.

Furthermore, carriers are increasingly viewing data privacy and security compliance as their top regulatory challenge due to the complexities of data management, rising consumer concerns about data protection, and the potential for new federal and state privacy laws. The rapid integration of generative AI technologies raises critical data security issues, as these systems often require access to vast amounts of sensitive information. Concerns about data misuse are escalating, with generative AI potentially leading to unintended exposure or manipulation of confidential data. Our survey shows that a striking 70% of global and 69% of North American carriers anticipate data privacy and security compliance to be their top regulatory challenge in 2025. Ensuring data integrity and privacy will be essential to maintaining trust and compliance with regulatory standards for carriers.

Closely following this is the challenge of keeping pace with evolving compliance requirements. Over half of global respondents (53%) express concerns about the fast-changing regulatory landscape. In North America, cybersecurity and data breach regulations are viewed as the next major compliance hurdle by 56% of respondents, reflecting the region's focus on mitigating digital vulnerabilities.

ANTICIPATED COMPLIANCE AND REGULATORY CHALLENGES IN 2025

% anticipated compliance and regulatory challenges



Growing reliance on law firms and claims partners for compliance strategy

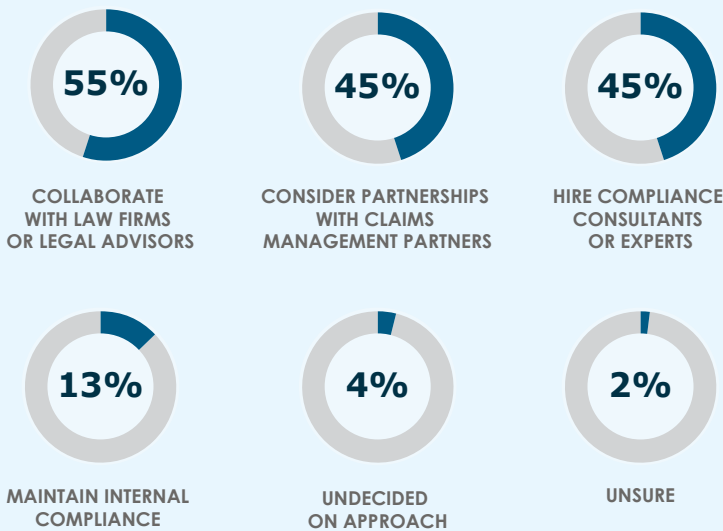
As regulatory demands grow more complex, carriers are turning to external partners to navigate compliance challenges efficiently. Over half of global (58%) and North American (55%) carriers plan to collaborate with law firms or legal advisors to ensure adherence to evolving regulations.

Notably, carriers are increasingly collaborating with claims management partners to meet customer-focused regulatory requirements. Compared to last year, there is a 13 percentage point increase among global carriers and 16 percentage point increase among North American carriers planning to work with trusted claims management partners. This trend underscores the importance of partnerships in maintaining operational efficiency and customer trust amid rising compliance pressures.

¹"How North American Investors Are Shaping the Future of ESG." Center for Sustainability and Excellence, 07 Oct. 2024.

EXTERNAL EXPERTISE ENGAGEMENT TO STAY COMPLIANT WITH CHANGING CUSTOMER-FOCUSED REGULATIONS

External expertise's % planned usage for regulatory compliance



Improving Customer Experience: Service Excellence and Technology

KEY FINDINGS

- Speed of service (73%) and consistency and reliability (66%) are the leading factors for achieving high customer satisfaction among North American carriers.
- 77% of global and North American carriers prioritize claim processing accuracy as the top quality metric of claim management performance.
- Nearly two-thirds of carriers, both globally and in North America, are investing in advanced technology to improve service quality.
- 62% of North American carriers emphasize training and development as key to achieving customer service excellence.

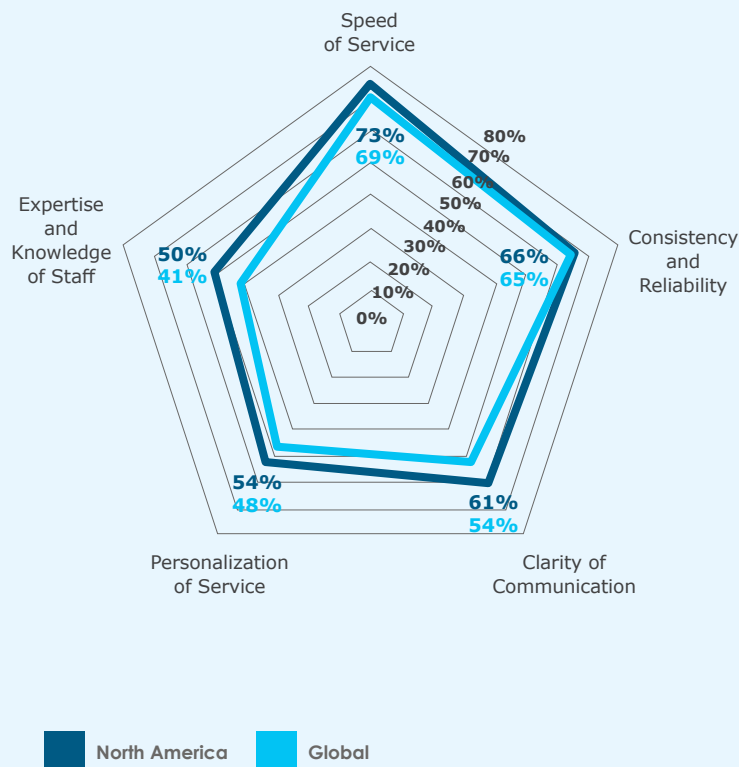
Inspiring customer confidence through clear communication and speed of service

As customer expectations evolve, carriers are increasingly focused on delivering faster and more personalized service. As such, carriers worldwide are focusing on addressing service gaps in critical areas, such as sales and claims, to provide a personalized and seamless end-to-end journey, with the goal of improving customer satisfaction. In fact, successful customer-centric transformations in insurance typically lead to a 20% uplift in employee satisfaction.¹

Globally, clarity of communication (69%) and speed of service (65%) are identified as the most critical factors in creating a positive customer experience. This is followed closely by the need for consistency and reliability, as noted by 54% of carriers. North American carriers share these priorities but place even greater emphasis on speed of service (73%) and consistency and reliability (66%). These regional nuances highlight a shared commitment to delivering dependable, high-quality service, tailored to market expectations.

ASPECTS OF SERVICE QUALITY WITH GREATEST IMPACT ON CUSTOMER SATISFACTION

% impact of service quality practices



Claims resolution speed and accuracy lead service quality priorities

Within claims management, compliance and reporting is often highlighted as one of the most complex and tedious tasks for claims handlers. For instance, in motor insurance, the tedium peaks with 52% for customer communication and 51% for compliance and reporting, suggesting strain from customer interactions and administrative workload.²

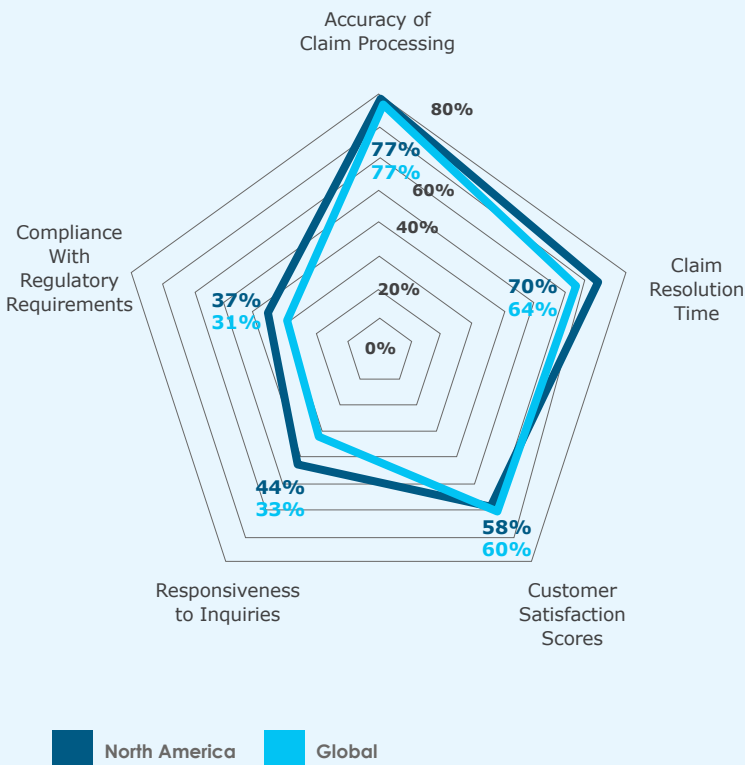
As such, carriers are honing their focus on speed and accuracy as the cornerstones of customer satisfaction. According to our survey, 77% of global and North American carriers prioritize claims processing accuracy as the most critical metric for measuring performance. Resolution speed follows closely, with 70% of North American and 64% of global carriers, identifying it as a top metric.

These priorities reflect a broader industry effort to deliver precision and efficiency in claims handling. Leveraging technology to improve transparency and reduce delays has become central to achieving these goals, enabling carriers to meet growing customer demands with confidence.

**According to our survey,
77% of global and North
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claims processing accuracy
as the most critical metric
for measuring performance.**

QUALITY METRICS PRIORITIZED TO EVALUATE PERFORMANCE IN CLAIM MANAGEMENT

% prioritization of quality metrics



Investing in technology and training to meet rising expectations

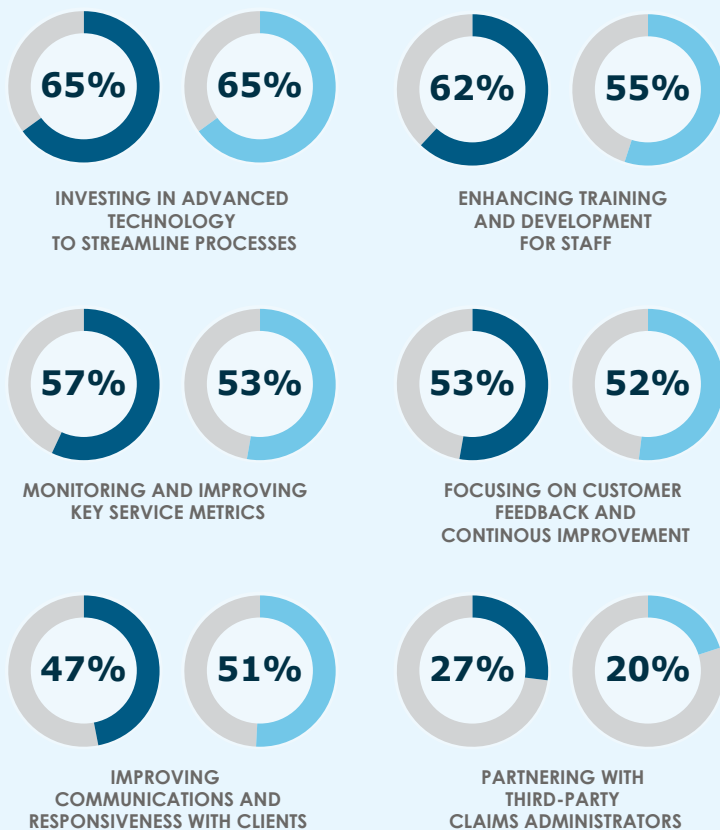
Service quality and technology are becoming ever more vital in reshaping service delivery to meet rising customer expectations. Carriers are investing heavily in digital tools, such as automation, AI, and data analytics, to enhance operational efficiency and customer experience.

According to our survey, 65% of carriers globally and in North America are investing in advanced technology to streamline processes and enhance service delivery. North American carriers are also emphasizing employee training and development, with 62% implementing programs to improve service quality. Monitoring customer feedback and service metrics is another key strategy, helping carriers identify opportunities for continuous improvement and deliver exceptional experiences that align with customer expectations.



STRATEGIES IMPLEMENTED TO DELIVER SUPERIOR SERVICE QUALITY

% implementation of service quality strategies



North America Global

Partnering for service excellence

In today's customer-centric market, meeting rising expectations requires carriers to address service gaps, improve claims accuracy, and enhance operational efficiency. This environment calls for a collaborative approach, where carriers can rely on trusted partners to navigate challenges and drive improvements in service delivery.

A partner with deep expertise in claims management and a commitment to continuous improvement can play a pivotal role in refining processes, leveraging advanced technology, and fostering better outcomes for customers. By focusing on clarity, speed, and reliability, such partnerships can help carriers build trust, enhance customer satisfaction, and maintain a competitive edge in a rapidly evolving landscape.

¹"[Elevating customer experience: A win-win for insurers and customers.](#)" McKinsey & Company, 21 Sept. 2023.

²"[Customer Experience: The Claim Handler's Perspective.](#)" Sprout.ai, 17 Apr. 2024.

The team behind the report



Joe Berrios

Managing Director — Carrier Practice

Joe Berrios joined Gallagher Bassett in 2006 as managing director, playing a key role in establishing and growing the insurance carrier business segment. With nearly four decades of experience, he has built successful client partnerships and is a trusted industry professional. Before Gallagher Bassett, he held leadership positions at GAB Robins and began his career at Metropolitan P&L as an internal auditor. Berrios holds a Bachelor of Science from Iona College, completed Gallagher Bassett's Executive Leadership Program with Harvard Business School, and has various industry designations, including senior claim law associate.



Jon Stambaugh, CPCU

Senior Vice President — Carrier Practice

Jon has been with Gallagher Bassett since 2013 and is the senior vice president of Carrier Practice. In this role, he engages at the executive level for new accounts, collaborating with leadership on strategic business opportunities. Jon oversees Gallagher Bassett's national carrier sales team and sets the strategic direction for the business segment. Before Gallagher Bassett, he worked with Lockton Companies, General Electric, and EY. Jon holds a Bachelor of Business Administration in Finance and Accounting degree from the University of Iowa. He also completed executive education at the Kellogg School of Business, maximizing sales force performance from Northwestern University, and has industry certifications, including CPCU and certified green belt in GE Six Sigma process improvement methodology.



Caryn Siebert, JD

Vice President — National Director, Carrier Engagement

Caryn Siebert serves as the VP of Carrier Practice, and director of carrier engagement at Gallagher Bassett, focusing on business development and strategic initiatives. With over 20 years of expertise in claims, legal, risk management, and process improvement, Caryn has held executive roles, such as CEO, chief claims officer, and general counsel. She actively contributes to industry events, organizations, and mentoring initiatives. Caryn is based in Orange County, CA, and is actively involved in strategic initiatives and business development for the national P&C carrier marketplace and public entity/risk management, focusing on various insurance products and risk mitigation. She mentors students at Fowler School of Law (Chapman University) and conducts mock interviews at Cal State Fullerton — School of Insurance.



Daniel Link, CPCU

Senior Vice President — Consultative Analytics

Dan Link joined Gallagher Bassett in 2016. He leads the Sales and Marketing Analytics team for risk management and carrier segments. With over 20 years of experience, his role includes business development, broker relations, client stewardship, managed care analytics, and internal management reporting. Before Gallagher Bassett, Dan worked at CNA Financial Insurance as a consulting director for underwriting strategy from 2015–2016 and at Zurich Financial Services as the director of manufacturing and practice leader for the USA from 2014–2015. He holds a master's degree from Loyola Quinlan School of Business and a CPCU designation from Michigan State University.



Emily Day

Consultant, Consultative Analytics

Emily Day joined Gallagher Bassett in 2017. In her role as a consultant in Consultative Analytics, Emily oversees analytics for Gallagher Bassett's largest carrier partnership, driving program stewardship to deliver exceptional results for both clients and the firm. Emily has been instrumental in launching Stewardship 4.0 for US clients and facilitating the transition of our largest carrier partnership into the Gallagher Bassett analytic system. Emily started her career at Gallagher Bassett as an intern in analytics and has held various roles, including in analytic strategy and client-focused analytics, especially within managed care analytics and client stewardship. She holds a Bachelor of Science in business analytics and politics from Loras College.

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