Technology Innovation in P&C Claims Management

2025

Portage

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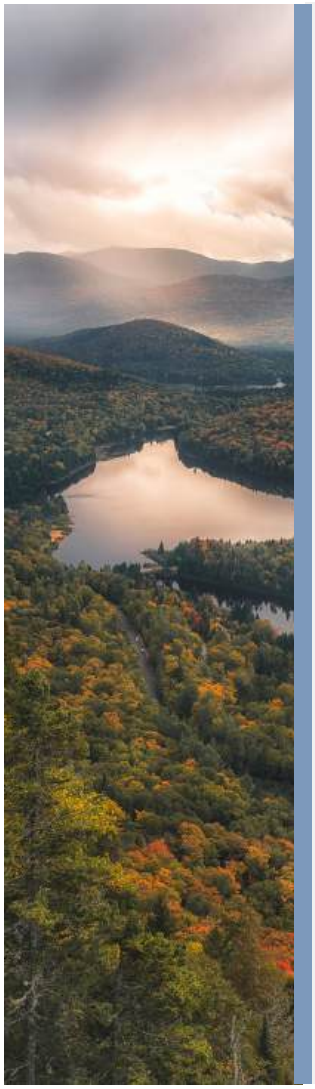

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1. Why now?

The North American Property and Casualty (P&C) insurance industry is large, complex and highly consolidated. In the U.S. and Canada, the 10 largest P&C carriers command nearly half of direct premiums written (the total premiums received before any reinsurance transactions) and the top 25 command two-thirds. Yet the P&C market is not static. In terms of premiums written through the direct channel (DPW), it has enjoyed significant top-line growth this decade, including an 11% growth rate from 2022 to 2023, when DPW rose to US$961 billion.[1] In short, the nearly US$1 trillion, dynamic North American P&C market represents a massive and growing total addressable market for insurance technology new entrants.

The P&C market is also facing challenges that should encourage the adoption of technological solutions. One of those challenges is profitability. Despite top-line revenue growth, P&C insurance carriers' combined ratios—a measure of underwriting profitability—have come under increasing pressure owing to higher-than-expected claims payouts and adjustment expenses. In 2023, even as DPW grew by more than 10%, the industry-wide combined ratio came in above 100%, representing an underwriting loss.[2]

This pressure on profitability has forced carriers and other players in the insurance ecosystem to put a sharp focus on operational efficiency, including within the claims process. Taken as a whole, the P&C industry's ability to process claims efficiently still has plenty of room for improvement. Resource- and time-consuming legacy claims practices and the growing challenge of fraud are clear headwinds for profitability. That represents a salient opportunity for technology entrants, including evolving AI and machine learning solutions that could dramatically improve the efficiency of the claims process.

For the purposes of this thesis, we divide the P&C market in terms of the Insurtech customer persona and their claims needs. The three target customers we discuss are: carriers, managing general agents (MGAs), which are specialized intermediaries that often have authority from carriers to underwrite policies, and third-party administrators (TPAs), which typically operate under contract from carriers to provide services such as claims processing and employee benefits management. Note, these customer categories are not divided by hard lines, but they generally represent distinct levels of involvement in the claims process. In the following discussion, in addition to evaluating each customer persona, we also discuss standalone technologies in the AI and machine-learning space that could be sold across all three customer groups.

1. 2023 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide. *National Association of Insurance Commissioners. August 2024.*
2. Report: 2023 Combined Ratio Forecast at 103.9, Commercial Lines Performed Best. *Insurance Journal. February 19, 2024.*

2. Opportunities by Customer Persona

Carriers

2.1. Carriers

2.1.1. Market background

Carriers create, manage and sell insurance, often using brokers and MGAs as distribution channels. In the U.S. and Canada, many carriers offer several lines of P&C insurance, with allocations according to their specialties. In terms of DPW, automotive is the largest business line, followed by home insurance. These lines of insurance represent ideal adopters of technology innovation, given claims for these policies are shorter in duration and the resulting impact of technology can be measured more quickly.

Carriers are the most important part of the P&C ecosystem, and therefore represent the most significant opportunity set for technology solutions. While in recent years there has been quite a bit of industry buzz about the role of MGAs in underwriting policies, the research suggests that they are only responsible for 10% of DPW in the U.S. Two-thirds of MGA-written U.S. P&C premiums were written by MGAs with less than US$500M in total premiums.

Thus, while small, nimble MGAs may be ripe to lead technological adoption, the largest carriers still hold the largest claims-related economics of the industry. Furthermore, our review of public materials suggests that large P&C carriers who are mainly processing claims in-house, are struggling to do so efficiently and effectively - as evidenced by industry combined ratios of 100%.

2.1.2. Pain points in the claims process

Numerous surveys of U.S. consumers have identified the challenges carriers and their customers face in managing claims.

According to a 2023 J.D. Power study,[3] only one-third of P&C claimants thought that their insurer's claims process was efficient, kept customers informed and effectively reduced time spent on the phone. Another recent survey, from Accenture,[4] found that a third of claimants were not fully satisfied with their home and auto insurance claims experience. The most-cited issues: speed of settlement and the closing process.

Accenture reports that of claimants who were not satisfied with the handling of their claim, almost a third had switched carriers in the past two years, while nearly half said that they were considering doing so. For customers who felt their claim, reporting, estimation and settlement experiences qualified as "very easy," still only two in five said that they would "definitely renew" their policy with

3. Many Insurers Struggle to Deliver Seamless Digital Experience as Repair Cycle Times Rise, J.D. Power Finds. *J.D. Power. December 5, 2023.*
4. Poor Claims Experiences Could Put Up to $170B of Global Insurance Premiums at Risk by 2027, According to New Accenture Research. *Accenture. August 3, 2022.*

2. Opportunities by Customer Persona (cont.)

the same carrier. If insurers can improve the claims process, they can reduce churn, which is one of the largest drivers to improve their economics.

As a result, it is increasingly imperative for carriers and others in the insurance ecosystem to improve the claims process. In our view, this area is ripe for technological innovation. The J.D. Power survey found that a third of consumers still needed to call the insurer following a digital update, which reduced overall satisfaction, as did repeat requests to submit photos and information.

Claims executives themselves recognize the technology gap. Nearly four in five believe automation, AI and data analytics could bring value across the claims value chain, from identifying fraudulent claims to damage assessment and loss automation.[5] Only a third, however, said that their organizations are advanced in their use of technology. Importantly, two-thirds said that their companies planned to invest US$10 million or more in new technology over the next three years.[6]

The takeaway: there is a substantial opportunity for claims-focused insurance technology entrants to penetrate P&C carriers' claims processes.

2.1.3. What we look for

Our work suggests carriers are hamstrung by their core operational and technological systems. Though these systems represent a limiting factor, carriers' significant investments in their implementations, maintenance, and operations will make it difficult, if not impossible, for a new technology provider to try and replace them.

Ripping out these systems would not only be cost and labor intensive, but would also introduce the opportunity for error, which is an unacceptable liability for most carriers. However, we believe that carriers are more open to purchasing **point solutions** that they can plug into their existing, legacy infrastructure to make them more effective (as evidenced by a myriad of startups emerging in this area).

Our view is that successful point solutions in the claims process will, first, have a measurable impact on claim cycle times and/or operational KPIs and, second, have technology that cannot be easily implemented by the carrier's data science or analytics team.

5. Poor Claims Experiences Could Put Up to $170B of Global Insurance Premiums at Risk by 2027, According to New Accenture Research. *Accenture. August 3, 2022.*
6. *Ibid.*

2. Opportunities by Customer Persona (cont.)

Carriers

Simple Carrier Tech Stack					
	1	2	3	4	5
Claims Activities	**First Notice of Loss (FNOL)**	**Intake & Triage**	**Claim Eval. & Reserve Setting**	**Investigation & Mgmt**	**Settlement Estimation, Negotiation & Payment**
Horizontal Tech	Claims Management System (either a module within a core system or standalone)				
	Risk-specific Claims System				
	Fraud Solutions				
Point Solutions	FNOL Tooling & Automation	Visual Assessment Tools	Third-Party Data & Estimation Providers	Third-Party Vendor Management Tools	Digital Payments Solutions

Figure 1: Point solutions as the way to win

The claims process *(Fig. 1)* can be broken down into five steps: First Notice of Liability (FNOL), Intake & Triage, Claim Evaluation & Reserve Setting, Investigation & Management, and Settlement Estimations, Negotiation & Payment. At a high level, Insurtech point solutions could support carriers at each of these stages, but four are of particular interest to us: **solutions providing FNOL tooling and automation**, **visual assessment tooling for Intake & Triage**, and **third-party vendor visibility and data collection for Claim Evaluation and Investigation/Management** provide the clearest opportunities for technology entrants.

First Notice of Loss (FNOL)

First Notice of Loss is a critical stage in the carrier claims process. The data collected at FNOL can have dramatic follow-on effects on the entire claim experience, from triaging (prioritizing claim handling) and cycle time to fraud detection, and it sets the stage for the overall customer experience. FNOL, however, presents clear challenges, including effective data collection across various communications channels (messaging/chat, SMS/text, email and voice), language barriers, and management of adjuster tasks. FNOL, therefore, offers significant opportunities for operational optimization and ensuring a satisfactory customer experience. It is also an area where machine-learning could enhance automation and facilitate straight-through claims processing.

2. Opportunities by Customer Persona (cont.)

Carriers

We see two main point-solution pillars as particularly interesting for FNOL:

- **Communication tooling** helps carriers implement and/or optimize communications channels. Examples of Insurtech entrants here are **HiMarley** and **OpenPhone**.
- **Workflow optimization** solutions include claims orchestrators with embedded features, such as customer experience (CX) templates, fraud detection and voice AI. In this space, notable early-stage players include **Liberate** and **Assured**.

Visual Assessment Tooling

Another area where point solutions can offer unique value to carriers is visual assessment tooling, which can make claim prioritization and resource allocation (particularly of adjusters) more efficient during the Intake & Triage stage of the claims process. We make a distinction, however, between the potential for these solutions in the auto and property insurance claims ecosystems.

- Our research suggests that visual assessment tools have already become the status quo and are a "must-have" for auto insurance carriers. They are largely a mature technology, and there is some risk that carriers and auto estimators will build their own visual solutions. There may, however, still be potential growth opportunities among the small and midsize carrier customer base. Leaders in visual assessment tooling include **Snapsheet** and **Tractable**, although it is worth noting that they have also layered on more robust claims management software.

Third-Party Vendor Visibility and Data Collection

Large carriers often partner with a broad range of third-party vendors, including TPAs, lawyers and medical professionals, but once a claim is externalized, carriers struggle to maintain visibility and, correspondingly, manage costs. As a result, the (necessary) use of third-party vendors can adversely impact cycle times and the cost of a claim. This presents technology entrants with an opportunity to help carriers optimize the claims life cycle and prevent claims leakage (costs coming in higher than estimated).

- **TPA data**: While large carriers have in-house claims teams, they still often partner with 15 or more TPAs for specific needs. **Aclaimant** is an example of a tool that can standardize information from third-party vendors.
- **Litigation data**: Claims litigation management companies help integrate legal data into a carrier's claims, accounts payable and data warehousing systems. Among these, **Caseglide** advertises a centralized law firm data management platform and a module to help manage lawyer selection and performance; **Claimdeck**, which serves MGAs and TPAs as well as carriers, can populate more than 2,000 data points per claim and allows lawyers to manage cases within its platform.
- **Medical data**: A number of businesses have emerged (e.g., **DigitalOwl**, **Wisedocs**) to capture and standardize inbound medical data. While these solutions are relevant for several P&C lines (e.g., Workers Compensation), they also apply to life and health insurance.

2. Opportunities by Customer Persona (cont.)

2.2. Managing General Agents

2.2.1. Market background

An MGA is an insurance intermediary contracted by a carrier to perform such business functions as distribution, underwriting, policy administration, and claims handling.

In contrast to retail and wholesale brokers, MGAs are granted binding authority from insurance partners, which allows them to quote and bind policies that fit within specified risk parameters *(Fig. 2)*. Often, MGAs focus on niche insurance markets, developing more specialized and sophisticated underwriting capabilities and risk assessment.

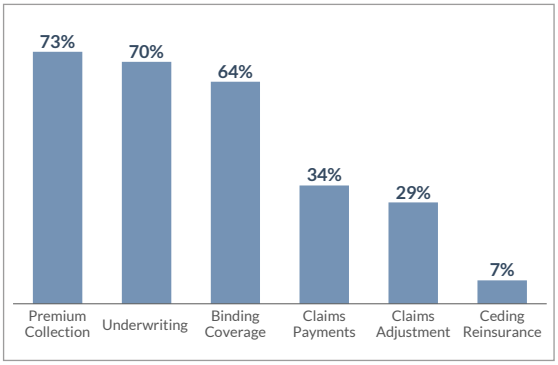


Figure 2: Authorities granted to P&C MGAs as of 2023[7]

As a result, MGAs offer insurance carriers an avenue to new markets and additional insurance lines without having to build internal capabilities.[8] MGAs, meanwhile, usually have a leaner business model than carriers, which gives them more flexibility in the creation and pricing of custom policies, and more personalized customer service, which often distinguishes them from the call-centre-like operations of carriers. Importantly, they often do not assume the balance sheet risk associated with the insurance they distribute.

As such, delegating underwriting authority to external distributors comes with substantial risks. Between 2000 and 2022, affiliated programs were the third-leading cause of P&C insurer impairments in the U.S.[9] For carriers, the constantly changing regulatory environment requires careful relationship structures with third-party underwriters, and it is imperative to establish strict controls and reporting standards to monitor MGAs' adherence to agreed-upon underwriting guidelines.

With roughly 3,000 enterprises in operation, the global MGA market is highly fragmented—and it is growing. In 2023, MGAs recorded more US$200 billion in DPW globally, representing almost 15% growth year-over-year. Of the 300 largest MGAs by revenue, nearly 60% are headquartered in the U.S. and 73% are independent. In the U.S., 600 MGAs place approximately 7% of total direct written premiums in the commercial and personal insurance sectors, further highlighting the market's fragmentation.[10]

7. P&C Premium Growth from MGAs Surges for Third Straight Year. *Risk & Insurance. May 24, 2024.*
8. Insurance MGAs: Opportunities and considerations for investors. *McKinsey & Company. August 30, 2022.*
9. *P&C Premium Growth. Risk & Insurance. May 24, 2024.*
10. *Ibid.*

2. Opportunities by Customer Persona (cont.)

Managing General Agents

The combination of fragmentation and growth has drawn the attention of private equity investors looking for acquisitions in the space, pushing MGA valuations higher. At the same time, corporate investors—namely, insurance carriers—increasingly view MGA acquisitions as attractive opportunities to create internal synergies and tap into new markets. Nevertheless, most of the 300 largest MGAs continue to operate as independent entities, and fewer than 10% are vertically integrated within a carrier's operations.[11] In short, the MGA market is still fragmented and there is still potential for future consolidation.

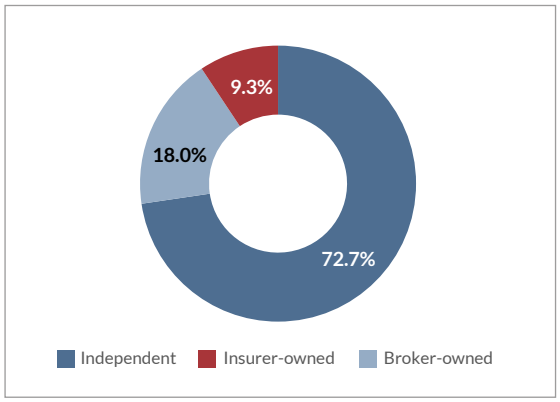


Figure 3: Top 300 MGAs by ownership type

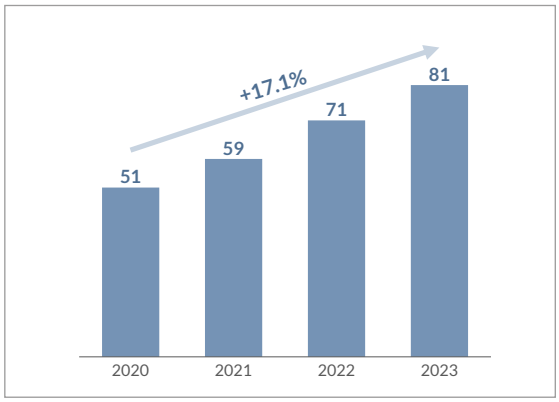


Figure 4: U.S. MGA DWP per year, 2020-2023,US$B

2.2.2. What we look for

When we look at the largest MGA players as customers for technology solutions, our general view is that they are likely to behave much as carriers do, and so will have similar needs. What is more interesting, however, is the cohort of next-generation MGAs that have been able to build digital-first claims organizations and are using them as a way to win customers and capture market share. We see next-gen MGAs, particularly in lower-complexity P&C lines such as auto, travel and renter's insurance, being able to internalize claims operations and correspondingly build underwriting and customer experience advantages. In addition, typically carriers will provide financial incentives to MGAs with lower claims quantities, implying there is an economic rationale for MGAs to adopt technology.

Next-gen MGAs

Portage portfolio companies demonstrate the power of digital claims, in particular **Faye**. Faye treats claims as a key feature within the customer product offering, which directly relates to customer

11. Rankings Insurance MGA Groups Worldwide by Revenues. Beinsure. November 3, 2024.

2. Opportunities by Customer Persona (cont.)

satisfaction and engagement. These businesses exemplify what we believe best-in-class claims operations can look like: centralized, automated, and a key differentiator in the market.

Faye is a licensed U.S. MGA (and TPA) focused on travel insurance, where claims efficiency and positive CX are competitive differentiators. The firm has built a proprietary technology infrastructure across policy administration and claims management that interacts fluently with claims intake channels. Users can file claims within the Faye app, which is the primary claims intake channel. Its fraud claims management system leverages proprietary AI models for claims processing and fraud detection, supported by a dedicated investigator.

Partner opportunities

Our MGA research revealed a tangential opportunity within the broader claims value chain: vertical software for contractors and repair shops. Particularly in auto, effectively managing partners (for example, repair shops) can be a key area of differentiation. In the U.S., several software vendors are looking to help carriers compete with MGAs on these fronts. While technically this area of interest is not related to MGAs as a customer, it is driven by the need for carriers to compete in an emerging digital ecosystem where entrant MGAs enjoy a distinct advantage.

As well, further down the value chain, some embedded fintech players are helping contractors who are in challenging cash conversion positions because they depend on payouts from carriers.

- **Auto repair management software**: Vertical software solutions can provide visibility into car repairs and offer an expanded repair network (e.g., **Fixico** in the EU and **ServiceUp** in the U.S.).
- **Contractor cash flow**: Vertical software solutions for embedded payments and lending can shorten contractors' cash flow conversion cycles (e.g., **SquareDash**, **link Payments**, **Claimsetter**).

2. Opportunities by Customer Persona (cont.)

2.3. Third-Party Administrators

2.3.1. Market background

A third-party administrator, or TPA, provides operational services under contract to other insurance companies. TPAs function as intermediaries between insurance companies and policyholders, and they offer services such as claims management, policy management, hospitalization support and sometimes underwriting support and customer service.

The TPA market in the U.S. is highly fragmented, with many small and midsize firms. Yet the industry has consolidated significantly over the past 10 years, and it is now dominated by several large TPAs with nationwide coverage, followed by smaller ones that focus on five to 10 local jurisdictions. While larger TPAs such as Sedgwick, UMR Inc., Crawford & Co. and Gallagher Bassett leverage economies of scale and lower pricing structure, smaller TPAs remain uniquely positioned in the market through their expertise in local and niche markets; they also tend to have more personal client relationships than larger TPAs can offer.

TPAs of all sizes typically operate on a per-claim pricing model, where the rate charged is dependent on the type of claim filed. The exact fee charged per claim is highly variable across the competitive landscape. Some TPAs give away claims handling at the front and wrap higher charges into higher-margin, ancillary lines, such as medical bill review. Other TPAs offer a flat fee pricing structure to their clients. In the P&C space, claims range from auto to homeowner insurance on the personal side to workers' compensation and general liability on the business side. Generally, larger TPAs exploit their higher volume of claims received to compete on price, whereas smaller TPAs with fewer claims have less negotiating power.

One of the main challenges TPAs face is the tight labour market for adjusters, who investigate filed claims on behalf of the TPAs. Adjusters play a pivotal role in the TPA business model because they are responsible for conducting field investigations, witness examinations and stakeholder management throughout the claims process. The current generation of adjusters is reaching retirement age: when they leave, they will take extensive knowledge and expertise with them, and it is doubtful that enough young talent can be recruited to fill the adjuster gap. Furthermore, new hires require months of training before being able to handle claims and generate revenue.

On top of those labour constraints, TPAs' outdated and inconsistent technology infrastructure requires adjusters to perform tedious data entry and administrative tasks, limiting their time for claim investigations. Typically, adjusters receive a flood of data points via different communication channels, all varying in structure and output format. To be processed correctly, data must often be manually extracted from emails, PDF documents or Excel spreadsheets and consolidated in external systems. The result: an already insufficient number of adjusters and their tight capacity are further strained by administrative tasks for which solutions are yet to be streamlined.

2. Opportunities by Customer Persona (cont.)

Third-Party Administrators

2.3.2. What we look for

In our view, the administrative burden on TPAs and their adjusters represents an opportunity for technology. Virtual claims assessment, fraud detection and claims lifecycle management platforms all present opportunities for TPAs to leverage software and transition away from manual processes. Recent developments in AI may further increase the potential for automating and optimizing adjustments, allowing companies to retain lean structures while processing a higher volume of claims at lower cycle times.

There may be more disruptive opportunities, too. Third-party adjusters often have something of a symbiotic relationship with MGAs. For instance, when an MGA does not have a licence to adjust claims, a TPA will typically fill the gap. The relationship is so close that TPAs are often commingled with or co-owned by MGAs. The result is a market structure that is highly concentrated at the top: the largest TPAs (in terms of revenue) are entrenched brands and compete among themselves for the largest-scale relationships.

TPAs charge largely on a per claim basis or occasionally on a flat fee basis against total written premium, but higher-complexity, higher-margin claims are their bread-and-butter—so much so that they will often treat lower-complexity claims as loss leaders. In general, they are true services businesses, and they have limited levels of technology.

For these reasons, we believe that there is opportunity for technology entrants to compete with TPAs, and that small and medium-sized players are particularly vulnerable. While large TPAs benefit from co-ownership and entrenched structure with MGAs, smaller TPAs' cost structures (as services businesses with limited negotiating leverage) may make them unable to compete.

In recent years, several next-generation, technology-enabled TPAs have come to market, and they are attempting to sell MGAs on a "data advantage." These are interesting models that are often less focused on removing the adjuster, and instead focused on augmenting them with the highest quality tooling and data analytics. These names include **ClaimSorted** (focused on low-complexity lines like **pet, warranty, travel and auto) and Reserv. We believe there will be continued growth in market** penetration and market entrants in the next-gen TPA space.

3. Opportunities in AI/Machine-Learning

While our thesis has focused on point solutions for the three main customer groups within the insurance claims ecosystem, the potential applications arising from AI/machine learning could apply more broadly. We believe that some AI/machine-learning innovators could serve the industry across carriers, MGAs and TPAs, particularly in fraud monitoring and voice AI.

3.1. Real-time fraud monitoring

An increase in claims volume and the sophistication of fraudulent schemes has led carriers and MGAs to focus more acutely on claims fraud. Research suggests that while as many as 8% of claims are fraudulent, basic carrier anti-fraud efforts are only able to identify 2%. This creates a clear opportunity for Insurtechs, especially to sell solutions to insurers with concentrated business lines and less nuanced claims processes.

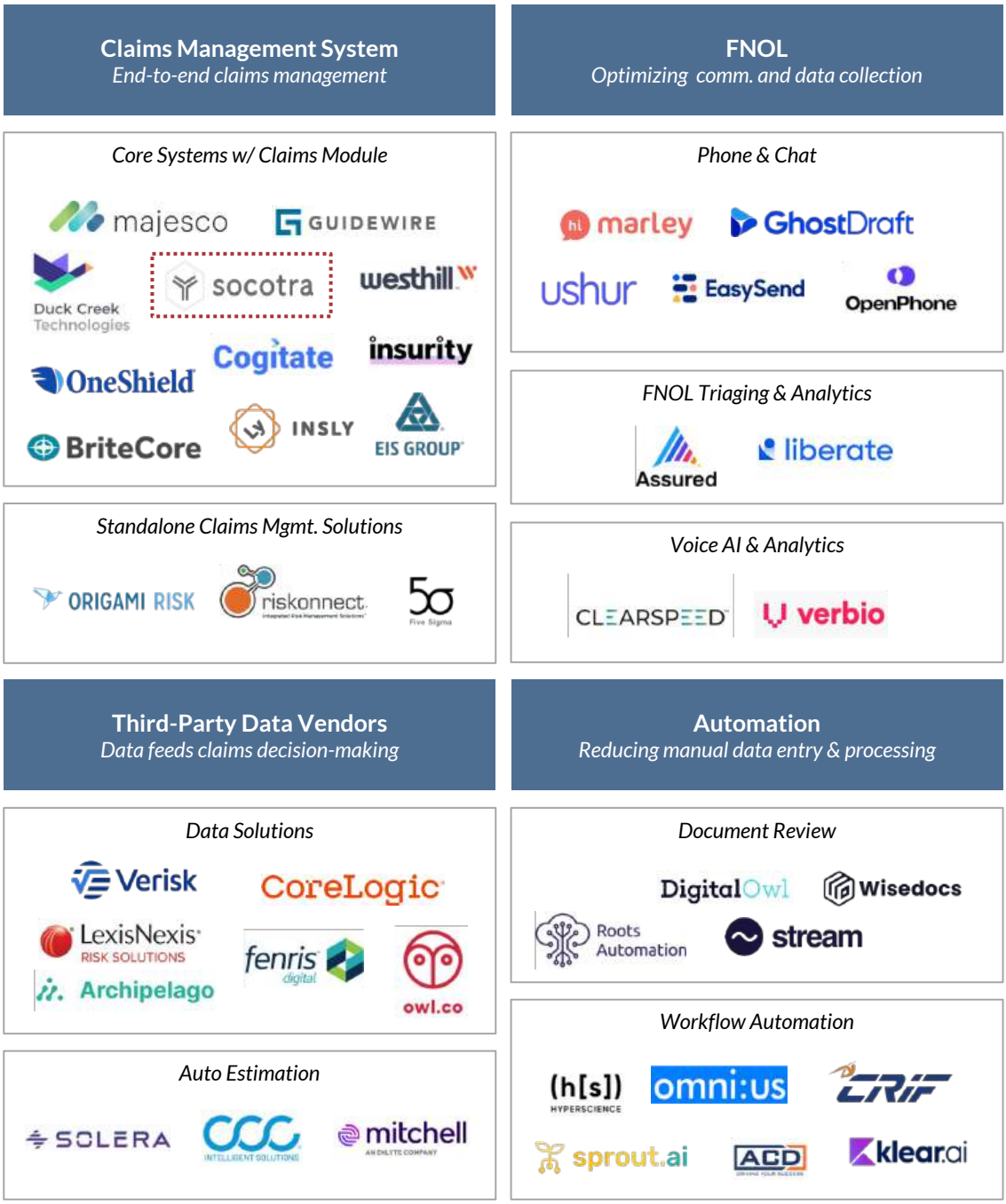
Two notable players in this space are FRISS and Shift Technologies. Their platforms pull in aggregate claims history data, cross-reference it with external and internal data, and then estimate whether a claimant has a history of fraud or whether a particular claim is likely to be fraudulent. Another interesting entrant is Resistant.ai, which has particular expertise in document forensics.

3.2. Voice AI

Voice intelligence technology is applicable to both carriers and MGAs, and its value proposition could even extend to TPAs. Voice tools can help automate first contact with claimants and measure call centres outcomes—a huge pain point for carriers, who sometimes struggle to route claims data appropriately. Our research suggests that potential customers are particularly interested in voice-to-text automation, automated first contact and multilingual communication management. One early-stage name that appears to be building in this space is **Liberate**.

In summary, our view is that efficient claims processing is a primary challenge faced by participants in the P&C insurance ecosystem—and it is here that the key opportunities exist for technology entrants. For carriers, which comprise the most significant target customer set for Insurtechs, improved claims processing through technology point solutions could facilitate customer retention, reduce costs and therefore improve overall economics. MGAs have similar needs and therefore present similar potential, but there is also an opportunity for technology-based next-generation MGAs, as well as vertical plays within the claims value chain. Technology entrants may also find room to compete with TPAs, especially with small and medium-sized players whose business models may be vulnerable to disruption. Finally, AI/machine-learning solutions, especially fraud monitoring and voice AI, present horizontal opportunities for technology entrants across all three P&C insurance customer sets in this dynamic, complex and rapidly evolving space.

Appendix: **P&C Insurance - Claims Technology Market Map**



Appendix: **P&C Insurance - Claims Technology Market Map** (cont.)