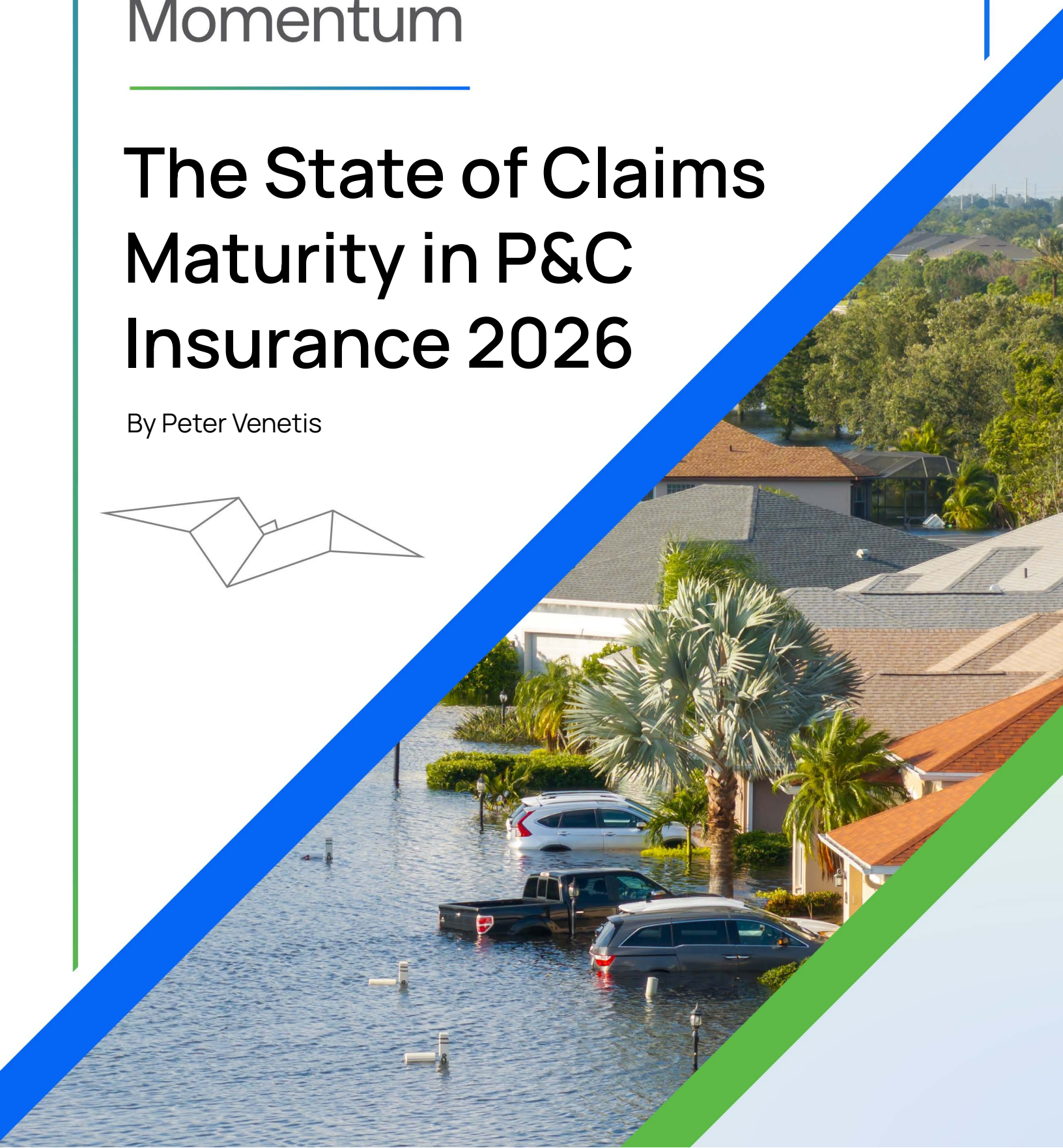
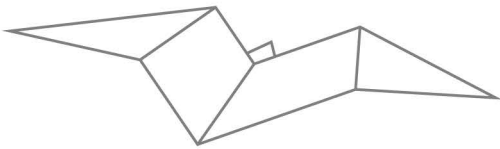




# The State of Claims Maturity in P&C Insurance 2026

By Peter Venetis



# Table of Contents

Executive Summary ..... 1

    About This Report ..... 1

What Does a Mature Claims Organization Look Like?..... 2

    Pressures Forcing Change..... 2

    Maturity Building Blocks ..... 3

    Cultural and Organizational Enablers ..... 4

The Current State of Claims Maturity..... 4

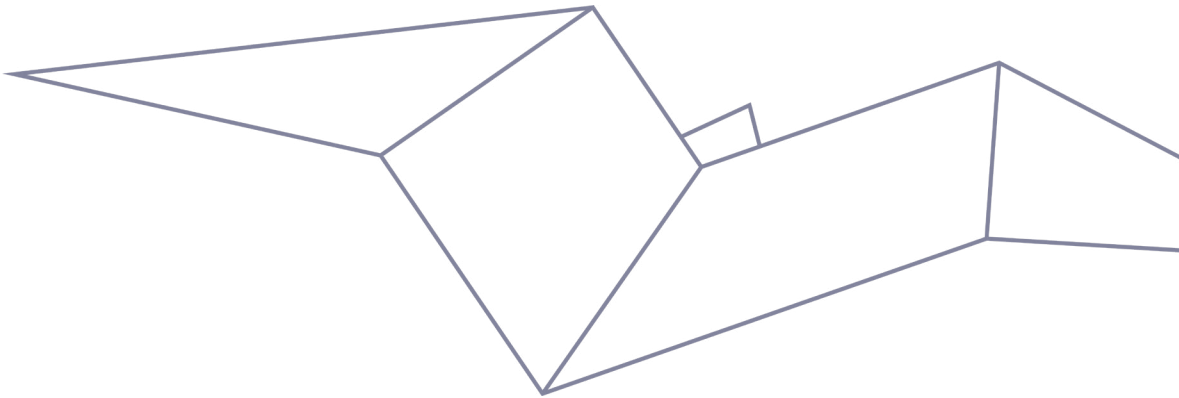
Steps to Reach Claims Maturity ..... 6

    Tailored Pathways by Tier ..... 7

    A Phased Approach to Maturity ..... 8

Charting the Path Forward ..... 9

About ValueMomentum ..... 9



## Executive Summary

Claims organizations are under intensified pressure to modernize. Rising costs, growing claims leakage, and customer expectations for faster, more transparent service are forcing insurers to reevaluate how claims functions are structured and managed. At the same time, technology like automation and artificial intelligence (AI) is reshaping what effective claims handling looks like.

But a mature claims function is not built on technology alone. While investments in cloud, AI, and digital platforms are critical, maturity also requires insurers to pay special attention to operating models and organizational culture. Individual initiatives can improve efficiency in isolated areas, but long-term value comes from aligning claims modernization with providing optimal claims-handling outcomes.

In our inaugural claims benchmarking study across P&C insurers, we saw both progress and persistent gaps. More than 40% of carriers cite claims leakage as a top challenge, fewer than half use intelligence-assisted workflows, and only 11 to 20% of technology budgets are currently directed toward claims. These figures underscore the risks of underinvestment and fragmented transformation, even as leaders acknowledge the urgency to modernize.

Claims remains the defining moment of truth for insurers when it comes to policyholder relationships. Organizations that build resilient, customer-first claims operations, supported by data and automation, will be best positioned to reduce costs, minimize leakage, and improve customer satisfaction. This report benchmarks where insurers stand today, provides a tier-based roadmap, and suggests a phased approach to help carriers achieve and maintain claims maturity in 2026 and beyond.

### About This Report

This report presents findings from a 2025 benchmarking study that surveyed 75 property and casualty (P&C) insurers in the United States. It evaluates current claims maturity, investment patterns, and top challenges across carriers of different sizes and lines of business. It also provides insight into how insurers can move from today's fragmented investments toward fully mature, future-ready claims functions. All results are anonymized and presented with respect for respondent confidentiality.

## What Does a Mature Claims Organization Look Like?

Most insurers know that modernizing their claims function is imperative for having a competitive edge, but the maturity levels and strategies behind modernization vary. Mature organizations combine the discipline of strong operating models with the agility of new technologies, building claims functions that are cost-effective, customer-focused, and resilient in the face of evolving risks.



### Pressures Forcing Change

Claims organizations are navigating a complex environment where cost pressures, customer expectations, and technology adoption collide. Carriers are striving to reduce operational expenses and address inefficiencies while also meeting rising demands for faster, more transparent claims experiences.

At the same time, competitive pressures are exposing gaps between insurers that have modernized and those still reliant on legacy systems.

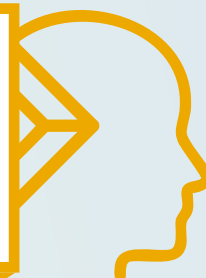
Several themes stand out as the strongest forces shaping claims organizations:

**Claims Leakage:** Carriers continue to struggle with preventable loss drivers such as subrogation failures, litigation costs, and fraud-related overpayments. More than 40% of respondents identified leakage as a significant challenge, underscoring its continued role as a top priority. Mature insurers focus on systematically reducing leakage by tightening recovery processes, embedding predictive fraud detection, and using analytics to identify hidden cost drivers.



**Fraud Detection Gaps:** Over 30% of insurers pointed to inaccurate fraud detection as one of their top three challenges. Fraud methods are becoming increasingly sophisticated, thanks to the proliferation of generative AI (GenAI), and traditional methods of determining which claims might be fraudulent are no match. Relying on outdated systems leaves carriers vulnerable to organized fraud rings and opportunistic claims alike. Mature organizations invest in advanced detection tools, machine learning, and external data sources to continuously refine fraud scoring models and reduce false positives.

**Customer Expectations:** Policyholders expect faster, more transparent, and digital-first claims handling. Many carriers, however, still rely on manual workflows that are error prone, extend resolution times and erode trust. Mature claims functions embed customer engagement tools, mobile-first first notice of loss (FNOL) processes, and real-time status tracking to deliver a seamless experience that improves Net Promoter Scores (NPS) and customer retention.





**Legacy Systems:** More than 25% of insurers acknowledged that outdated systems are holding back their claims functions. Smaller and mid-tier carriers in particular struggle to keep pace with peers that have modernized. Mature organizations address this challenge by modernizing core platforms, embracing cloud-native solutions, and ensuring interoperability across systems to enable data-driven decision-making.

**Operational Costs:** Rising indemnity and loss adjustment expenses (LAE) continue to squeeze profitability. Insurers are under pressure to improve efficiency without compromising service quality. Mature claims organizations manage costs through automation, predictive reserving, and disciplined process audits that reduce waste and align resources with high-value activities.



Modernization is no longer optional. To remain competitive, claims organizations must not only address cost pressures and customer demands but also prepare to take advantage of emerging technologies.

## Maturity Building Blocks

Mature claims organizations combine modern technologies with disciplined processes and a consistent focus on customer experience. Several investment areas stand out.

**Figure 1: Key Investment Areas to Build Your Claims Maturity**

**Digital Customer Experience:** Carriers are embedding digital engagement channels and self-service platforms into the claims process to improve satisfaction and reduce manual touchpoints.

**Process Benchmarking and Discipline:** Mature insurers not only invest in technology but also assess performance against industry benchmarks, implement activity-based costing, and conduct regular claims audits to validate outcomes.

**Data Integration:** Claims maturity depends on the ability to merge disparate data sources and support predictive analytics. Mature organizations invest in data platform readiness and interoperability to inform decision-making.

**Automation and AI:** Adoption of intelligence-assisted workflows, including generative AI (GenAI) for documentation, testing, and compliance, is a key marker of maturity. Leading carriers are also experimenting with AI-enabled fraud detection and virtual mediation tools.

**Cloud and Infrastructure:** Migration to cloud platforms enables scalability, cost optimization, and resilience. Mature organizations also implement robust security and DevSecOps practices to safeguard sensitive claims data.

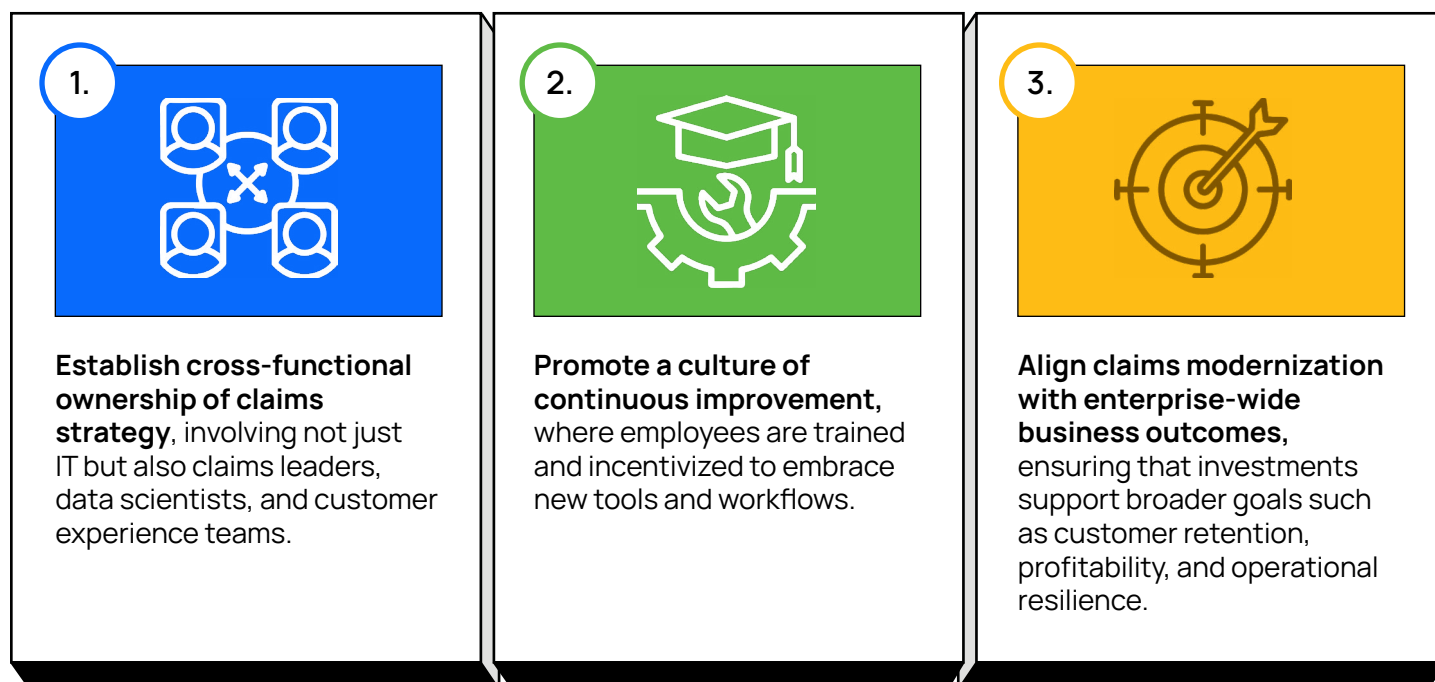
In combination, these capabilities form the foundation of a modern claims function — one that is efficient, digital, customer-focused, and adaptable to future risks.

## Cultural and Organizational Enablers

Insurers that successfully modernize their claims organizations do so because they invest as much time and energy into transforming their people and their culture as they do into transforming the technology they use.

Lasting progress depends on organizational alignment and cultural readiness. Without strong governance, engaged stakeholders, and workforce support, even well-funded initiatives risk stalling before they deliver meaningful outcomes.

Figure 2: 3 Steps to Enable a Mature Claims Organization



Each of these enablers ensures modernization efforts take root and scale over the long term. They strengthen each phase of the maturity journey by embedding claims strategy into organizational culture and leadership accountability.

## The Current State of Claims Maturity

Most insurers are in the midst of claims modernization, but few have reached full maturity. The benchmarking study highlights uneven progress across carriers, with investments underway in some areas, while persistent gaps remain in others.

Claims transformations are underway, but adoption is fragmented, and progress is uneven across the tiers of insurers. Only 11-20% of overall technology budgets are directed toward claims, leaving many organizations without the resources to scale modernization effectively. Larger Tier 1 carriers are further ahead, piloting AI and cloud solutions, while smaller Tier 2 and Tier 3 carriers remain constrained by outdated systems and limited budgets.

Figure 3: Claims Technology - Investment Budget, Digital Workflows, and AI Adoption

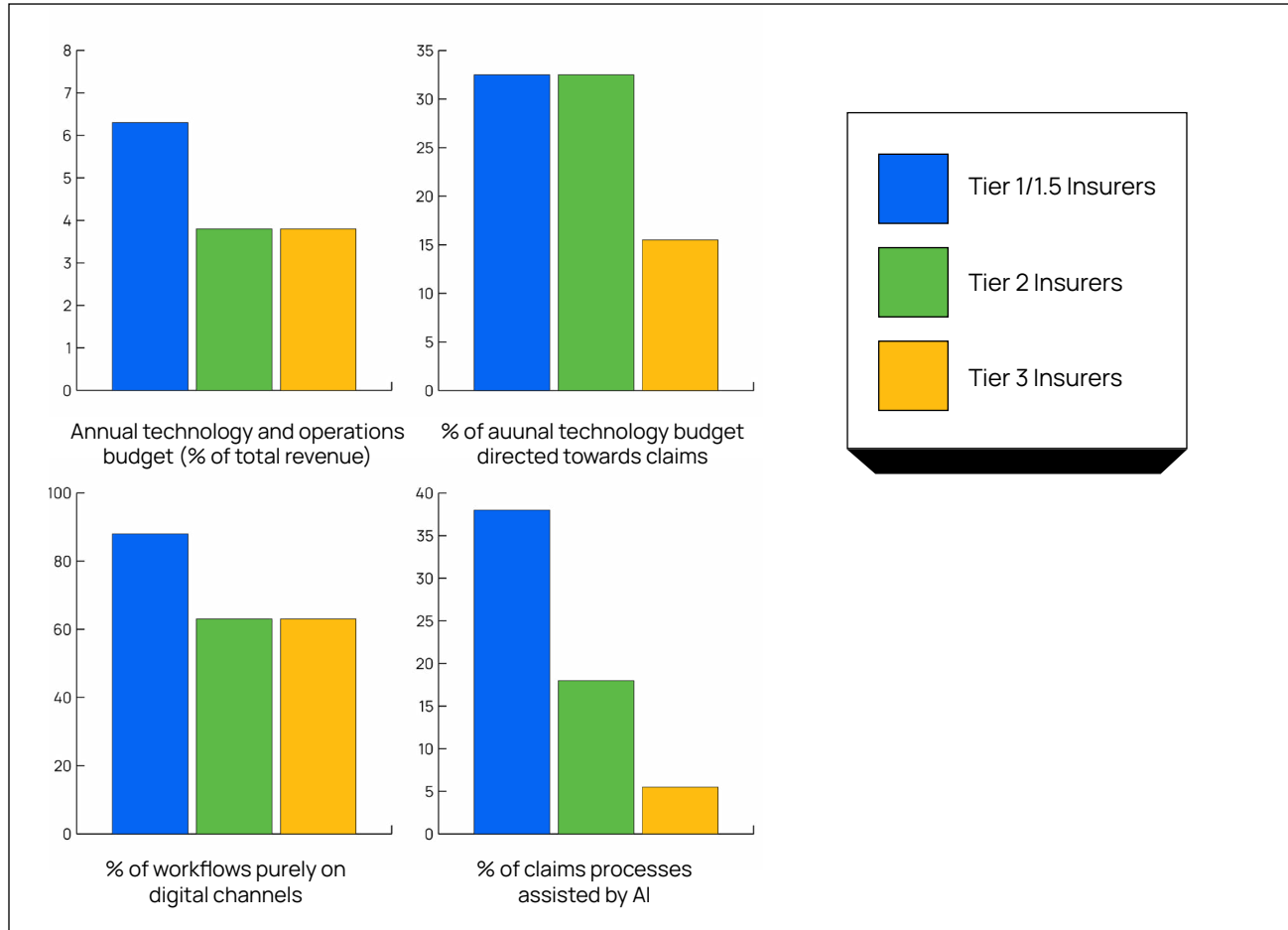
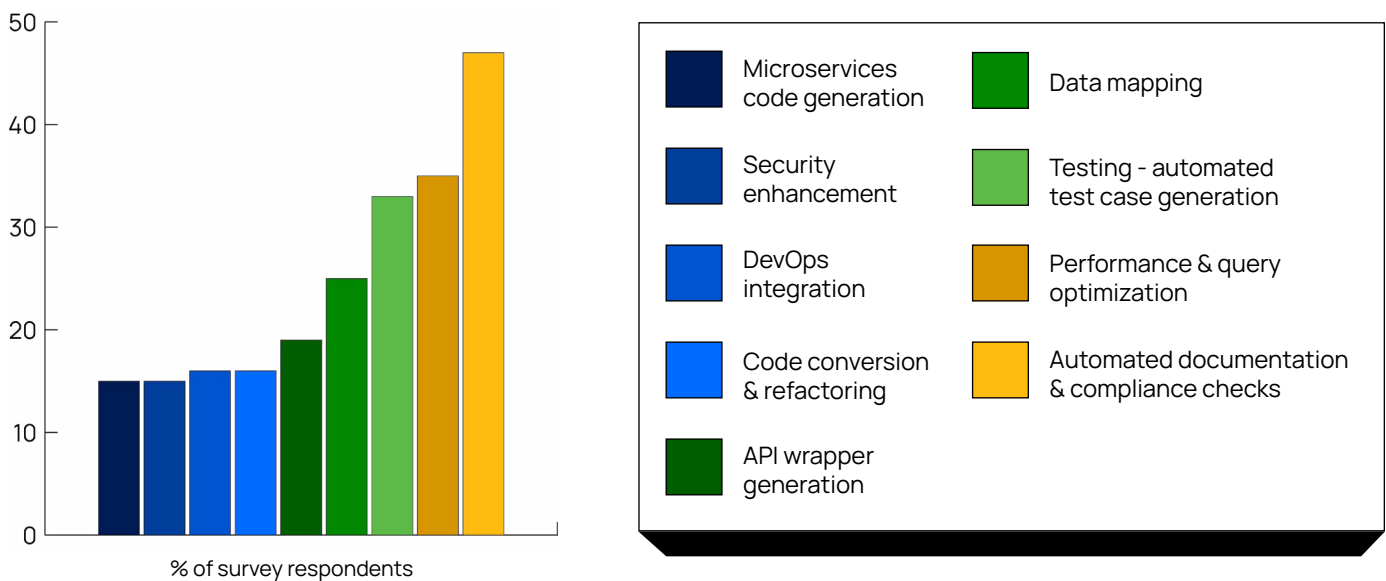


Figure 4: Most Important GenAI Use Cases in P&C Insurance



AI and automation remain in early stages. Fewer than half of insurers report using intelligence-assisted workflows, and most continue to rely heavily on manual processes. GenAI is recognized as a potential game changer, but current applications are still experimental, with carriers focusing primarily on automated documentation and compliance checks (47%), performance and query optimization (35%), and automated test case generation (33%). Digital workflows have expanded, yet many claims processes still include paper-based trails, creating inefficiencies and slowing resolution times.

**Figure 5: Key Claims Maturity Benchmarks by Tier**

| Personal Lines         |            |            |            |
|------------------------|------------|------------|------------|
| Metric                 | Tier 1 Avg | Tier 2 Avg | Tier 3 Avg |
| Loss Ratio             | 55%        | 57.5%      | 57.5%      |
| Average Claim Severity | \$7,500    | \$6,250    | \$5,500    |
| Commercial Lines       |            |            |            |
| Metric                 | Tier 1 Avg | Tier 2 Avg | Tier 3 Avg |
| Loss Ratio             | 52.5%      | 57.5%      | 57.5%      |
| Average Claim Severity | \$29,000   | \$29,000   | \$17,500   |

These findings underscore a gap between ambition and execution. While carriers understand the need to improve efficiency, reduce leakage, and deliver better customer experiences, investments remain focused on isolated projects rather than holistic transformation. As a result, progress has been incremental and inconsistent, leaving many insurers short of the scale required to achieve lasting maturity.

The current state demonstrates momentum but also reveals the risks of underinvestment and fragmented efforts. Achieving maturity will require insurers to move beyond piecemeal initiatives and commit to a comprehensive roadmap – one that accounts for organizational tier, prioritizes the most impactful investments, and builds toward long-term sustainability in claims modernization.

## Steps to Reach Claims Maturity

While the industry recognizes the importance of modernization, the path to maturity differs by organizational tier. Larger carriers often have resources to test and scale advanced technologies, while smaller insurers must first address foundational capabilities. Diagnostic assessments, process maturity models, and independent validation provide insurers with structured, evidence-based pathways to identify gaps, quantify leakage, and build a roadmap toward modernization.

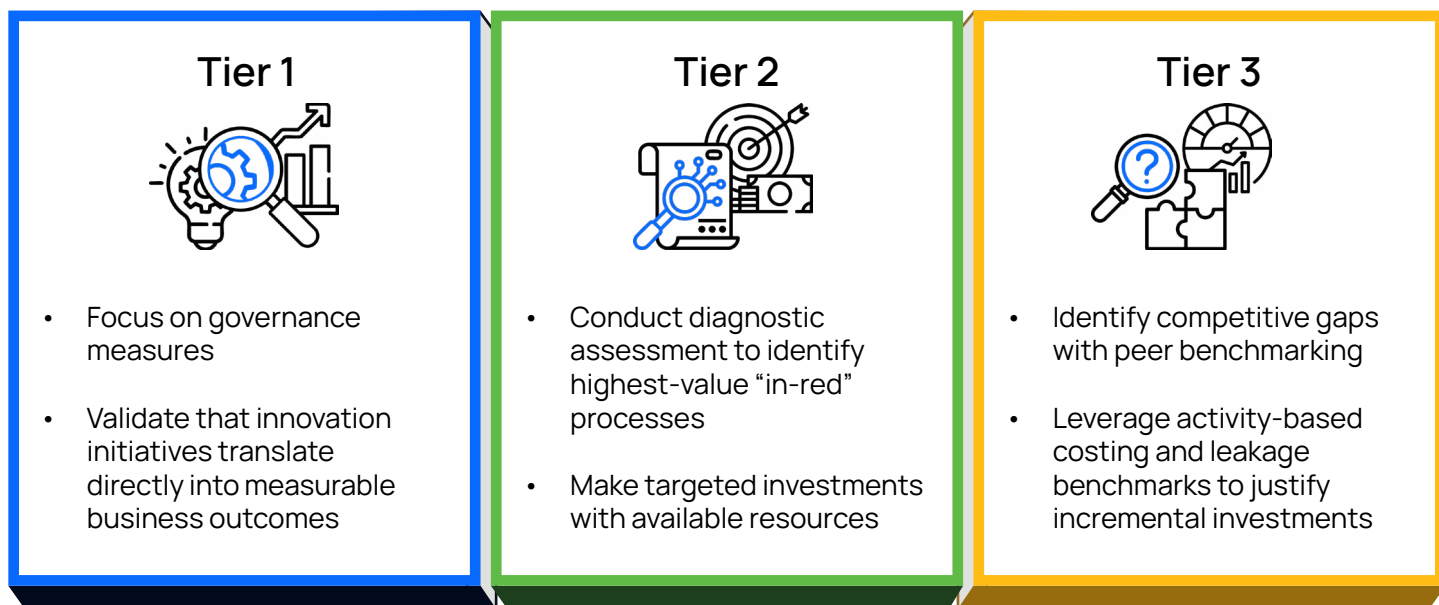
## Tailored Pathways by Tier

Although every insurer faces similar pressures, the journey to claims maturity depends heavily on size, resources, and existing systems. Tier-based distinctions clarify where insurers should begin, how they should prioritize investments, and which technologies or processes will deliver the greatest impact.

**Figure 6: Claims Maturity Levels - Current State vs. Goal State**

| Insurer Size           | Current State                                                    | Goal State                                                                                                                 |
|------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Tier 1 (>\$5B DWP)     | Further with modernization, but dealing with complexity of scale | Consistent outcomes across the organization with measurable reductions in LAE and leakage                                  |
| Tier 2 (\$1B-\$5B DWP) | Enhancing legacy platforms to enable innovation                  | Capitalizing on subrogation and litigation expense management opportunities to yield highest impact from available budgets |
| Tier 3 (<\$1B DWP)     | Relying on fragmented vendor systems and paper-heavy processes   | Mature digital foundations in place with customer self-service, improved data quality, and digitized workflows             |

**Figure 7: Next Steps to a Mature Claims Function**



Regardless of tier, success depends on following a structured roadmap. A phased approach ensures that insurers move from baseline assessments to targeted interventions in a deliberate, measurable way.

# A Phased Approach to Claims Maturity

Claims maturity is achieved through deliberate, staged progress rather than one-time transformation. Diagnostic frameworks point to four core phases:

## Phase 1: Assess Capabilities

Benchmark claims health across cost, experience, productivity, and effectiveness. Radar charts and sparklines generated by diagnostic tools provide a clear view of performance against both industry and best-in-class ranges within respective tier groups. At this stage, unhealthy metrics are identified and mapped to high-level processes, giving executives visibility into where performance is most at risk.

## Phase 2: Map Processes and Validate Gaps

Once unhealthy metrics are identified, the focus shifts to process mapping. Diagnostic tools link underperforming metrics to Level 2 and Level 3 claims processes, offering visibility into the root causes of inefficiencies. Independent validation through file reviews and audits strengthens the assessment by uncovering blind spots and ensuring internal self-assessments align with objective measures. This stage is particularly important in leakage analysis.

## Phase 3: Prioritize and Plan

With a comprehensive picture of claims health, carriers can translate findings into a prioritized roadmap. Activity-based costing highlights the financial impact of each underperforming process, while leakage analysis quantifies the potential savings from targeted interventions. Weighted scoring ensures that the highest-value processes receive immediate attention.

## Phase 4: Execute and Scale

Execution focuses on implementing process improvements and layering in enabling technologies. For some carriers, this may mean deploying intelligent document processing to streamline intake; for others, it may mean investing in omnichannel FNOL, automated fraud detection, or claims reserving tools. Over time, continuous benchmarking allows insurers to measure progress, adjust roadmaps, and scale innovations across lines of business.

## Charting the Path Forward

Insurers recognize the pressures of rising costs, fraud, and customer expectations, and many have begun to invest in digital tools, automation, and advanced analytics. Yet transformation remains uneven, with most carriers still navigating legacy constraints and struggling to scale modernization beyond isolated initiatives.

The research shows that maturity is not achieved through technology alone. It requires a balance of disciplined processes, strategic investment, and cultural readiness. Carriers that excel combine efficiency with customer-centricity, reducing claims leakage and improving outcomes while delivering the seamless, transparent experiences policyholders demand.

Whether an insurance claims department is working to reduce claims leakage, improve fraud detection, enhance customer satisfaction, or scale advanced capabilities such as automation and AI, a focused organizational assessment equips leaders with the evidence and direction needed to act with confidence.

Ultimately, claims maturity is about more than operational efficiency. It's about creating resilient, future-ready claims organizations that can adapt to evolving risks, deliver superior customer experiences, and drive competitive advantage. Insurers that embrace this structured, data-driven approach will not only close today's performance gaps but also establish themselves as leaders in the next era of claims transformation.



Let's insure the  
future. **Together.**

Founded in 2000 with the core belief that impactful change comes from deep commitment, ValueMomentum specializes in delivering measurable results across the P&C value stream. For more than 25 years, we have empowered more than 100 carriers to reimagine their businesses with AI and emerging technologies, navigate market shifts, unlock speed to value, and become future-ready. We help insurers in the US, Canada, and Europe stay ahead with sustained growth and high performance to enhance stakeholder value and foster resilient societies.

For more information, visit <https://www.valuemomentum.com>.