AutoRek

The insurance industry's race to efficiency

Why overcoming data complexity relies on automation

Executive summary

The insurance industry relies on seamless transactions to manage risk, but outdated processes continue to introduce lengthy settlement periods and hinder efficiency. Our survey among 250 senior figures in the insurance industry highlights a growing awareness of the need for change.

Our findings reveal that the volume and complexity of transactions in the insurance industry is surging at an unprecedented rate. At the same time, back-office processes remain stuck in the past, impeding productivity and efficiency. For a sector that has been historically slow to change, a reliance on manual, fragmented, and bolted-together systems is proving to be unsustainable in the face of a growing number of data sources and formats, where maintaining data quality throughout is so crucial.

The survey found that two-thirds of firm's contend with at least 10 data sources or inputs to their premium payment process, and although tried and tested systems like spreadsheets were once adequate, they have led to data siloes. When combined with antiquated systems that lack common data models and definitions, firms are left with unstandardized data, stored across numerous systems, resulting in extended reconciliation time and increased risk due to poor-quality data.

Attempts to rationalize these systems and standardize this data in the past have either had little success, or only applied to sections of the industry, but further findings highlight a growing awareness of the urgent need for digital optimization. Our survey highlights that this desire stems not just from the amount of data needed to be processed, but also from competitive pressure to reduce errors and enhance accuracy for their customers and regulators.

However, despite this need for transformation, there remains significant uncertainty about how to make it a reality. The challenge of managing multiple players, lengthy settlement cycles, and inconsistent data standards serve to only fuel the inefficiencies of insurance operations.

Automation and innovative SaaS solutions are far better placed to handle disparate and uncategorized data and consistently clean it so that it is ready to be used in reconciliation processes. This will further improve data accuracy, validation, and enrichment, all while accelerating reconciliations and mitigating key person risk. Without adopting automation and standardized processes, firms will struggle to keep pace with their more agile competitors, such as InsurTechs.

This report explores the root causes of the challenges facing insurance firms and outlines a clear roadmap to address them. The insurance industry must follow suit with the rest of the financial services sectors and embrace technology to aid, enhance, or even replace their current processes. By examining the pain points and trends uncovered in our research, we aim to support insurance firms in their journey towards reducing complexity, improving processes in the back-office engine room, and increasing standardization. If firms address these problems today, they can avoid the significant cost of last-minute fixes in the future.

Piers Williams *Global Insurance Lead* **AutoRek**

Survey methodology

AutoRek conducted 250 online interviews with managers or above in insurance and healthcare insurance organizations, about their experiences with insurance services and data. Field research was carried out in the United States of America, in November 2024.

Key research findings

1. Transaction volumes and growth

53% of insurance firms process over 10 million transactions annually, with 16.77 million on average

- Average ranges from 5.85 million to 26.37 million
- Highest for InsurTech distribution 17.54 million; lowest for London Market 12.56 million

The number of transactions processed is expected to increase by 28.7% on average in the next 2 years to 21.7 million transactions

2. Data inputs and process inefficiencies

Two-thirds have over 10 data sources or inputs to their premium payment process, with an average of 17 sources

21% said their current premium receivables and allocation processes are inefficient

But the majority still use excel (52%) for processing and allocation

3. Challenges in premium payments and settlements

The main issues currently faced with premium payments and settlement data are high volumes of data (60%), varying payment terms (51%) and different formats and structures (48%)

Thankfully, 90% of firms are considering a new reconciliation solution to assist with these concerns

This will need to happen given that the average B2B premium settlement period is 56 days, which is especially long when compared to other financial service sectors

- **56%** said up to 60 days, and **44%** said it was 60+ days
- GWP up to 1 billion = 51 days, over 1 billion = 58 days
- Processing up to 10 million = 52 days, over 10 million = 59 days

4. Payment methods and reconciliation challenges

Multiple payment types are the biggest challenge (62%) when receiving premium payments

- Main payment types received are ACH/Wire Bank Transfer (82%), and Cash (64%)

The three most complex processes to manage from a reconciliation and allocation perspective are

- Multiple systems and data sources (39%)
- High volume of transactions (35%)
- Partial payments and adjustments (33%)

5. Future objectives and technology adoption

The top three objectives for premium payment processing over the next two years are:

- Improve operational efficiency (55%)
- Accelerate cash flow and revenue recognition (50%)
- Reduce errors and enhance accuracy (48%)

Over half of the respondents believe the industry will focus on sourcing a new SaaS solution over the next 2 years, while 66% believe it will focus on digital platforms and APIs, and 82% believe AI will be the main focus

The insurance sector is riddled with complexity

"Our research has identified a concerning trend. The volume and complexity of transactions is increasing at an unsustainable rate. With multiple sources and data formats, ensuring data quality becomes more and more difficult. The insurance industry is reaching a point where if they do not modernize and streamline their systems now, the cost and complexity of future upgrades will only grow as the pressure to adapt intensifies."

Piers Williams *Global Insurance Lead* **AutoRek**

The insurance industry is grappling with a surge in transaction volumes and increasingly complex data. Insurers are inundated with information pouring in from every direction, both from internal and external sources. From the internal side, there are multiple CRM systems and policy administration tools, and potentially additional SaaS solutions alongside them, while externally, firms have multiple banking providers feeding in.

Combined, there are lots of statements being shared between firms and the various third parties they're working with at each different stage of the insurance process. On top of this, firms also have general ledger systems and data lakes to consider.

As the number of sources and inputs are accounted for, it becomes easy to see how insurance firms must now contend with 17 separate data sources on average filing into their premium payment process. This fragmentation at the base level results in a tangled web of systems and inputs that complicate reconciliation, leaving firms exposed to inefficiencies and errors.

Adding to this complexity is the sheer volume of transactions firms must contend with. More than half of all firms surveyed process over 10 million transactions annually, with an average of 16.77 million. With excel spreadsheets being used to process these transactions, issues surrounding volume limits and the absence of audit trails are exacerbated.

While these figures vary significantly across the sector, with InsurTech distribution channels handling the highest average of 17.54 million and the London Market at 12.56 million, it doesn't change that fact that the back-office is not prepared for even the lower end of the average. A fifth (**21%**) of firms report that their premium receivables and allocation processes are currently ineffective, highlighting the need for an overhaul from the ground up.

Volume combined with complexity can make determining the quality of the data passing through difficult. Managing these inputs creates an additional complication and without the aid of streamlined systems and advanced reconciliation technologies, it becomes increasingly untenable, further amplifying the risk of delays and errors which increases the chance of compliance issues down the line.

Modernization is especially important for firms with gross written premiums (GWP) exceeding $1 billion, as they process even higher volumes, averaging 19.91 million transactions. This is only set to intensify over the next two years with volumes expected to rise by **28.7%**, reaching an average of 21.7 million transactions annually.

Trusting the quality and reliability of this data is paramount. But this process is taking far too long. The average settlement period is 56 days, rising to 58 for firms processing over 10 million transactions. Compare this to the investment management sector where the settlement period is inching closer to T+1 and the figure is particularly damning. When you consider that this could entail multiple settlement cycles of 56 days each, such as between a client to broker, broker to MGA, followed by the MGA to carrier, and finally carrier to re-insurer, the length of time is considerable. Each step introduces potential delays, creating a ripple effect that can slow the entire process, and in the meantime, the insurer/reinsurer remains on risk for policies they have yet to receive funds for.

However, there is an opportunity to reduce this time through automation. The ability to standardize data sources, and then validate, quality check, and enrich the data automatically has the potential to dramatically speed up reconciliation and the settlement period.

Key learnings and advice:

Streamline systems:

Automation and data standardization are essential to manage 17+ data sources and reduce inefficiencies.

Modernize:

Rising transaction volumes demand immediate upgrades to avoid escalating costs.

Accelerate settlements:

Automation can shorten the 56-day settlement cycle, while improving data quality.

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"The insurance industry, particularly in complex markets like the London Market, is at a crossroads, facing both significant challenges and promising opportunities as it adapts to a rapidly evolving landscape.

One of the primary hurdles is data complexity and fragmentation. Insurers deal with vast amounts of data from multiple sources, often in inconsistent formats, leading to inefficiencies and data silos. This issue is exacerbated in the London market, where diverse stakeholders and legacy systems contribute to prolonged settlement cycles. Regulatory compliance adds another layer of complexity, as insurers must navigate varying requirements across jurisdictions, increasing the risk of errors and penalties. Additionally, many insurers still rely on manual processes for payment processing and reconciliation, which are time consuming and error prone. Despite a growing awareness of the need for technological transformation, there remains uncertainty about how to effectively implement change, compounded by the industry's historical resistance to innovation."

James Dalby *Executive Director, Insurance* J.P. Morgan Payments

"Automation and SaaS solutions present exciting opportunities to streamline operations, reduce errors, and enhance efficiencies. Blockchain technology offers the potential to improve transparency and security in transactions, facilitating faster settlements and better data integrity. AI and machine learning can be leveraged to unlock insights from large datasets, empowering more informed decision-making and improved risk assessment. Digital platforms and APIs can foster seamless connectivity between stakeholders, streamlining data exchange and improving customer experience. Insurers also have the chance to differentiate themselves by focusing on customer engagement, offering personalised services and faster claims processing. Collaborating with Insurtech firms can open doors to innovative solutions and fresh business models, helping traditional insurers thrive in a competitive landscape. By embracing these technological advancements, the insurance industry can overcome its current challenges and seize new opportunities for growth and efficiency."

Darren Snoxell *Head of Insurance, EMEA* J.P. Morgan Payments

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PAYMENTS

Firms are facing competitive pressures

"Remaining routed in excel spreadsheets will soon become a costly error for insurance firms, as the volume of data needing to be reconciled continues to grow. Firms relying on processes that are no longer fit for purpose will be unable to handle the new payment types and data formats and sources, and maintaining data quality will become close to impossible."

Mark Baker *Accounting and Reconciliations SME* **AutoRek**

The data processing applications that efficiently served the insurance industry are beginning to show their age. While technological advancement has been extensive in certain areas, the focus has remained on front-end customer acquisition and retention platforms that drive revenue, rather than on optimizing the back and middle office. Insurance companies are strained as they struggle with high volumes of data (**60%**), varying payment terms (**51%**), and disparate data formats and structures (**48%**).

We have noted how this imbalance could lead to inefficiencies at best, and regulatory issues at worst, but if firms are stuck with outdated and bolted together systems then it could allow for more adaptable firms to race ahead.

InsurTechs, with their modern, technology driven infrastructure and tech-minded employees, have set a new standard for efficiency and agility. These firms are equipped to service customers faster, manage larger volumes of data seamlessly, and maintain higher service standards. In contrast, traditional insurers must navigate patchwork systems that struggle to keep pace, especially as payment types increase.

The variety of payment types – ACH/Wire Bank Transfers (**82%**) and cash (**64%**) – adds layers of complexity that many older systems aren't equipped to handle. The sheer diversity of payment methods introduces new challenges in managing and reconciling transactions, increasing the risk of errors and inefficiencies.

While insurance firms may well be computerized, they are not optimized. Many still use Excel spreadsheets (**52%**) for processing and allocation, and while professionals in the sector have decades of experience and are highly skilled at their roles, their expertise is rooted in traditional processes and tools. Traditional firms understand their current processes inside out, which makes them less likely to want to modernize, but these processes cannot handle the sheer volume of data coming through without seeing a massive dip in quality or extremely lengthy settlement times.

Meanwhile, InsurTechs, with their quick adoption rates of innovative, automated technology are much better equipped to handle the increasing number of data formats and sources, while maintaining date quality throughout.

As competitive pressures mount to reduce errors and enhance accuracy to meet customer and regulatory expectations, there is a growing recognition of the need for change, or else firms may fall behind. Many organizations recognize this urgency – **82%** say they are prepared for enhanced regulatory compliance and governance, while **75%** feel ready for increased audit scrutiny, signaling a desire to meet evolving industry standards.

At the same time, insurers are looking toward technology to drive these improvements. **73%** of firms report being prepared for cloud-based solutions, and **72%** are ready to implement real-time accounting, reflecting a clear shift toward digital transformation. However, these capabilities can only be fully realized with standardized, automated processes in place.

The good news is that firms are already taking steps in the right direction – **90%** are considering adopting new reconciliation platforms to address these challenges. And it starts in the back office.

Key learnings and advice:

Manage data complexity:

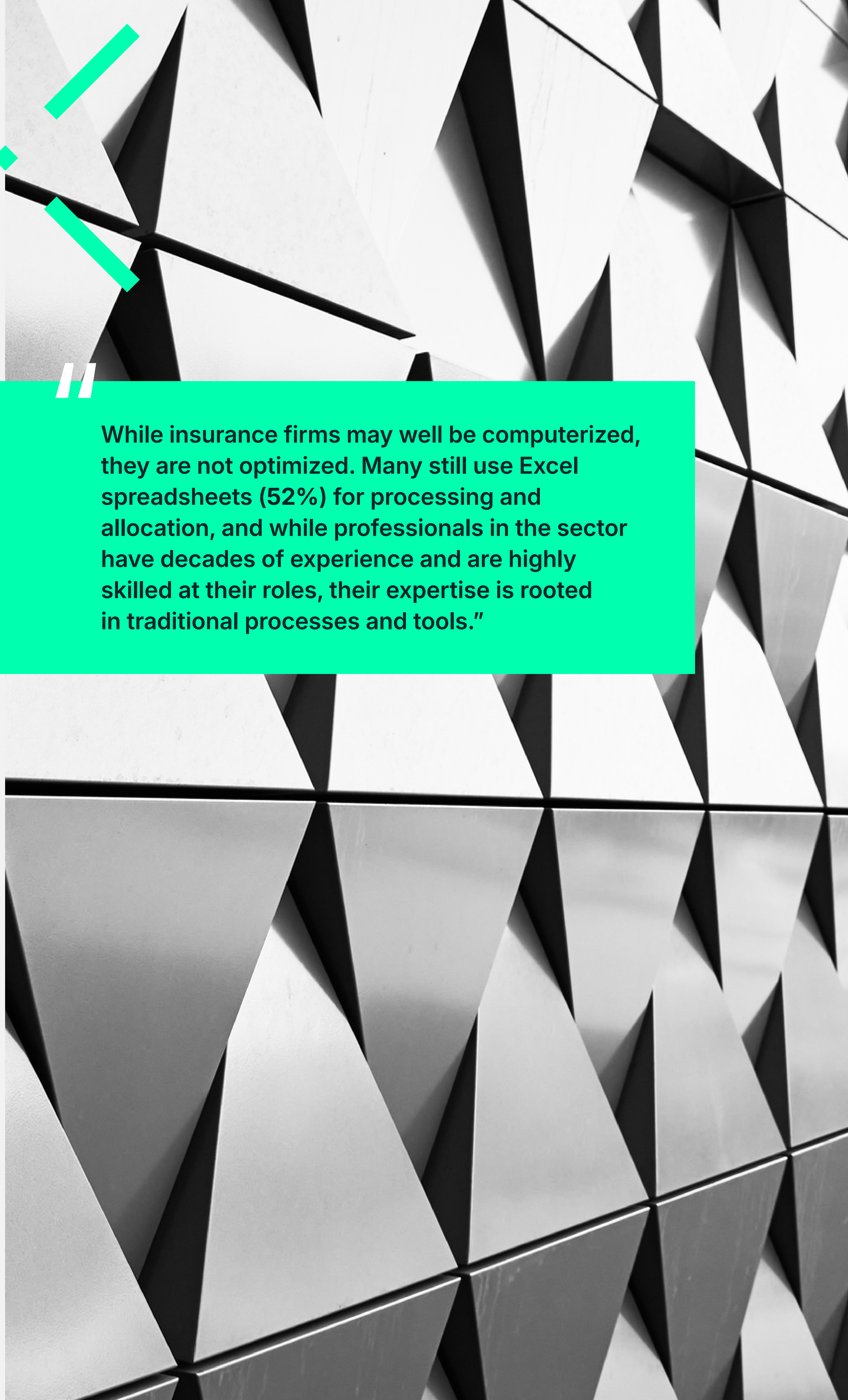
High data volumes, varying payment terms, and disparate formats strain legacy systems, creating opportunities for firms to lead with modern solutions.

Embrace innovation:

With 90% of firms exploring reconciliation platforms, adopting automated technology is critical to staying competitive and meeting regulatory expectations.

Rebalance priorities:

Investment prioritized in front-end systems has left back and middle offices outdated, creating inefficiencies and exposing firms to potential compliance risks.



“While insurance firms may well be computerized, they are not optimized. Many still use Excel spreadsheets (52%) for processing and allocation, and while professionals in the sector have decades of experience and are highly skilled at their roles, their expertise is rooted in traditional processes and tools.”

It is time to focus on the back office

"The reality is that without a streamlined, modernized back office, insurers will struggle to recognize revenue efficiently, protect margins, or handle the complexities of today's data-driven landscape."

Piers Williams *Global Insurance Lead* **AutoRek**

The back-office engine room has long been overlooked in favor of front-office investment, leaving insurers struggling with inefficiencies and complexity. As firms struggle to maintain data quality while managing high transaction volumes, varying payment terms, and disparate formats, it's clear that existing systems are not equipped to manage the demands of modern insurance operations. This lack of optimization results in slower processes, reduced data quality, and increased potential for errors – issues further compounded by **52%** of firms still processing and allocating payments using spreadsheets.

Historically, the perception has been that underwriters and brokers are the engine room of the firm. But while this means firms can acquire clients, if they cannot recognize that revenue in the back office then they will not grow as a business. Increasingly, the key value is delivered by finance, and more firms must recognize that the back and middle offices provide an opportunity to help protect margins and maintain the profitability that they've seen historically.

But as we've discussed, the back office needs a major overhaul. It is beset by significant operational challenges, including managing multiple systems and data sources (**39%**) and dealing with partial payments and adjustments (**33%**). These pain points place financial operations teams under immense pressure and highlight the urgent need for modernization.

The three most complex processes to manage from a reconciliation and allocation perspective are:

39%	35%	33%
Multiple systems and data sources	High volume of transactions	Partial payments and adjustments

Encouragingly, over half of firms are prioritizing the adoption of new SaaS solutions within the next two years, alongside investments in digital platforms and APIs (**66%**) and AI (**82%**). These efforts reflect clear objectives: improving operational efficiency (**55%**), accelerating cash flow and revenue recognition (**50%**), and reducing errors to enhance accuracy (**48%**).

By modernizing their back office with scalable, automated technology, firms can address these issues head-on, positioning themselves to better compete in an increasingly tech-savvy competitive landscape. There is a clear appetite for modernization and now is the time to act, before it becomes costly down the road.

Key learnings and advice:

Manage operational pressures:

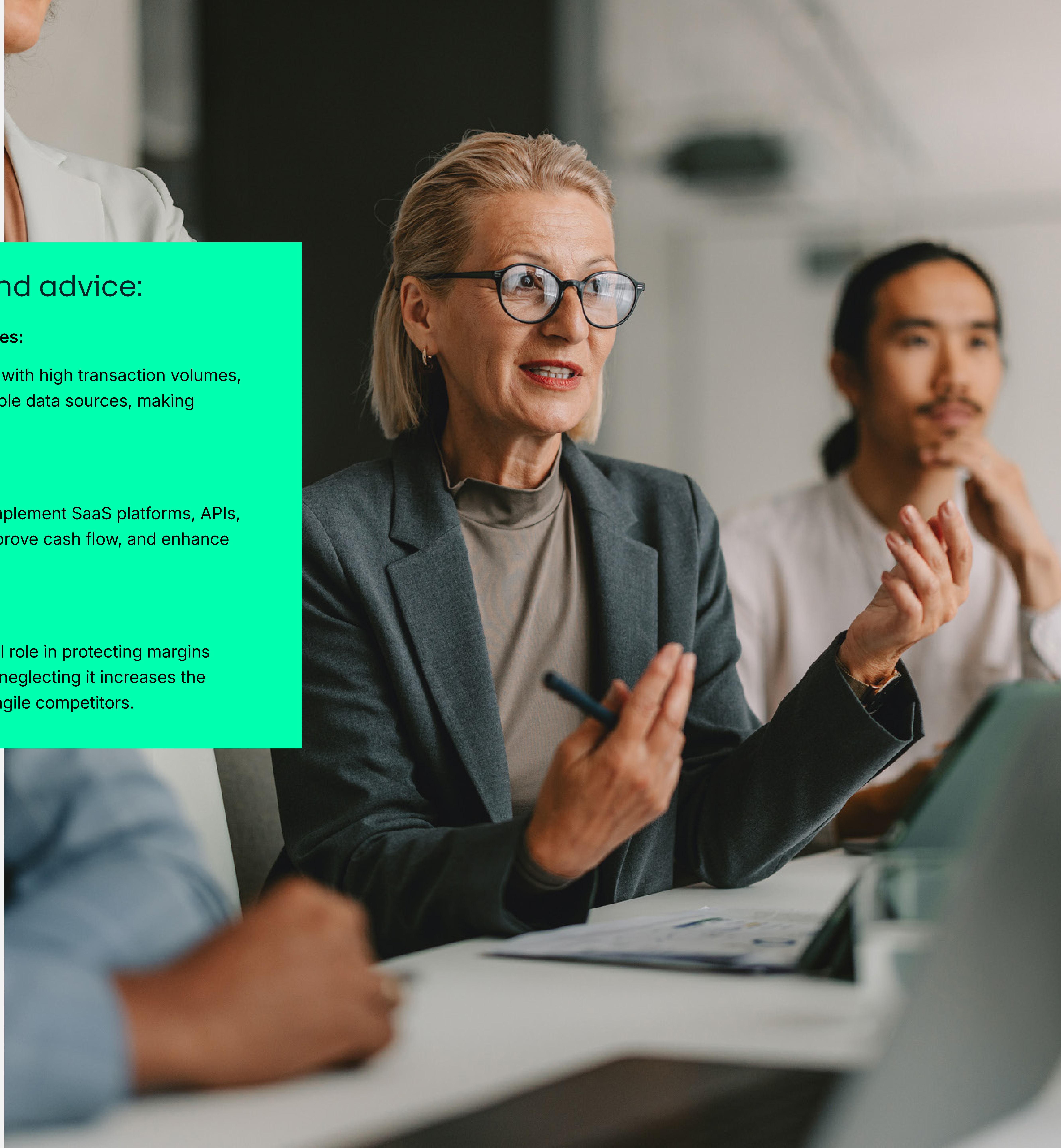
Outdated systems struggle with high transaction volumes, partial payments, and multiple data sources, making modernization essential.

Adopt scalable solutions:

Over half of firms plan to implement SaaS platforms, APIs, and AI to reduce errors, improve cash flow, and enhance operational accuracy.

Reassess back-office value:

The back office plays a vital role in protecting margins and ensuring profitability – neglecting it increases the risk of falling behind more agile competitors.



Conclusion and recommendations

> "One of the biggest challenges in the insurance industry is the lack of a centralized insurance body to maintain a standardized data process. Unlike banking, where SWIFT provides a unified framework, insurance generally operates in silos. While you have parts of the industry standardized, such as any insurance going through Lloyds of London which operates its own reporting standards, there is no industry-wide standardization.
>
> This leads to scenarios where one key employee manually brings in all those disparate data sources, all in various formats, and tries to standardize them within a spreadsheet. If this key employee leaves the firm, that knowledge of how to use the spreadsheets and its macros is lost. Automation takes that risk away. With automated reconciliation, firms can standardize processes, reduce errors, and make sure everything keeps running smoothly, no matter who's involved."
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> **Mark Baker** *Accounting and Reconciliations SME* **AutoRek**

As highlighted throughout this report, the insurance industry recognizes that change is necessary, with the majority of firms at least considering a new reconciliation solution. However, uncertainty remains around how to make it a reality.

The fear of change remains a critical barrier – rooted in outdated processes and a reliance on legacy systems that are often only understood by key employees. This creates significant risks, from inefficiencies to key person dependencies, all of which leave firms exposed.

A real opportunity lies in standardization. Currently, the industry is plagued by a variety of disparate systems and data formats, leading to inefficiencies, errors, and poor data quality. Standardized processing using automated platforms ensures consistently clean data, ready for use in reconciliation. This streamlines operations, reduces errors, increases processing speeds and ultimately improves data quality across the board.

Automated reconciliation offers a clear path forward, but it must be accompanied by a shift in mindset. While current processes may be familiar and functional, they no longer fit the challenges faced by the modern insurance industry. As firms contend with rising transaction volumes, disparate data formats and varying payment terms, all of which contribute to poor quality data, it is vital that they adopt scalable automated solutions that streamline the back-office engine room.

At **AutoRek**, we believe the future of the insurance industry lies in adopting scalable, automated solutions that drive standardization from the industry's engine room. It's time to bring the back office forward.

As insurers grow and scale, having standardized processes in place allows them to maintain consistency, reduce manual effort, and improve the accuracy of data across all systems. This scalability ensures that firms can continue to operate smoothly and efficiently as they expand, without being bogged down by outdated or disjointed systems.

Who are we?

Trusted by leading global financial institutions, AutoRek provides an end-to-end solution for automating reconciliations, data management, and reporting. With over 30 years of experience, we help businesses like yours, modernize processes, ensure compliance, and future-proof financial operations.

Our clients process $4 trillion in annual transactions, reinforcing our commitment to delivering scalable and reliable automated reconciliation solutions.

Contact us for insights from our survey and discover how our tailored solutions can streamline your operations today.

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