



 Report

Insurance Operations & Financial Transformation 2026

From Settlement Strain to AI Divide: Who Will Lead
the Next Phase of Insurance Modernization?



Executive Summary

Insurance companies enter 2026 at an operational crossroads.

Transaction volumes are rising. Settlement cycles are lengthening. M&A activity is accelerating, and while **82%** of firms believe AI will dominate the industry's future, only **14%** have fully integrated it into their financial operations.

The result is a widening performance gap between insurers modernizing their back offices and those constrained by fragmented systems, manual processes, and settlement delays.



Tony Shek

Insurance Lead,
AutoRek



Nearly half of firms now face settlement periods exceeding **60 days**, while **14%** of operational budgets are spent fixing manual process errors. At the same time, two-thirds manage more than 10 data sources feeding premium processes, increasing reconciliation complexity and audit exposure.

This year's research reveals **three defining mega-trends** that are shifting the industry from inefficiency to inflection point: settlements, AI adoption, and data fragmentation.

Together, they determine which insurers will scale efficiently and which will struggle to keep pace.

What's new and different this year:

While the **2025 report** warned that legacy systems and spreadsheet dependency were unsustainable, the 2026 report shows that:

- > **Settlement cycles have not materially improved**
- > **Volumes are rising again**
- > **AI adoption is uneven**
- > **M&A complexity is increasing**
- > **Back-Office modernization is now strategic**

Shifting the conversation from inefficiency to inflection point, from "Insurance must modernize" to "Which insurers are modernizing fast enough?"

Key Research Findings

Operational drag is measurable—and costly

- > **14%** of operational budgets are spent correcting manual errors
- > **22%** cite increased operational costs as the top consequence of reconciliation complexity
- > **20%** report compliance and audit risks from operational inefficiencies

Settlement cycles are lengthening under volume pressure

- > **44%** face settlement periods exceeding 60 days
- > Firms processing >10 million transactions annually average **59-day** settlements
- > Transaction volumes are expected to grow **28.7%** in two years

AI ambition far exceeds AI execution

- > **82%** believe AI will dominate the industry's future
- > Only **14%** have fully integrated AI into their financial operations
- > **6%** use no AI at all
- > **52%** describe their data governance frameworks as early-stage or developing

Data fragmentation is systemic

- > Insurers manage an average of **17 data sources** feeding premium processes
- > **39%** cite multiple systems and data sources as their most complex reconciliation challenge
- > **54%** identify different systems and data architectures as the biggest M&A integration roadblock

Back-Office modernization now leads strategy

- > **50%** are prioritizing AI and machine learning
- > **42%** are focusing on automation of Back/Middle-Office functions
- > **51%** say regulatory requirements are driving their modernization decisions

Survey Methodology

AutoRek conducted **250 online interviews** with multi-level insurance managers about their organization's experiences with their operations strategies and challenges.

Interviews were split evenly via field research across the United Kingdom and the United States of America in November and December 2025.

- > **56%** were in insurance and **44%** were in healthcare insurance
- > **32%** senior management **42%** middle management **26%** management
- > **80%** were from firms with <5,000 employees

1 Mega-Trend

The Settlement Squeeze

Rising Transaction Volumes Are Stretching Premium Settlement Cycles Beyond Sustainable Limits

Nearly half of insurers now face settlement cycles exceeding **60 days, up from 56 days** in 2025. At the same time, transaction volumes are projected to rise nearly **29%** over the next two years.

Settlement delays are not static, they lengthen as complexity increases. Firms processing over **10 million transactions** annually average **59** days versus 52 days for smaller peers.

Compounding the issue, **14%** of operational budgets are spent fixing manual process errors, effectively diverting capital away from growth and innovation.

→ What this means:

Longer settlement cycles delay revenue recognition, restrict working capital, and increase counterparty risk. For brokers and delegated authorities, settlement delays can directly impact carrier relationships and growth capacity.

→ Why is this happening?

- > High transaction volumes (**41%**)
- > Multiple systems and fragmented data (**41%**)
- > Reliance on manual spreadsheets (**46%**)
- > Increasing complexity in cancellations, adjustments, and partial payments

The traditional monthly settlement model is colliding with modern expectations for real-time processing and customer immediacy.

29%

projected rise in transaction volumes over the next

two years



Implications going forward:

As volumes accelerate, manual reconciliation becomes mathematically unsustainable. Insurers that fail to compress settlement timelines risk margin erosion, reputational strain, and competitive disadvantage.

Key learnings and advice:



Measure your true settlement latency

Not just contractual terms, but actual reconciliation clearance time.



Quantify the cost of delay

Link settlement duration to working capital impact and margin erosion.



Automate upstream of reconciliation

Reducing manual adjustments shortens downstream delays.



Treat settlement compression as a growth lever

Not a finance clean-up exercise.

Settlement is no longer a Back-Office timing issue, it's a strategic growth constraint. Insurers will need to compress the cycle in order to unlock capital.

Tony Shek, Insurance Lead, AutoRek

2 Mega-Trend

The AI Adoption Divide

Ambition is Universal, But Execution is Fragmented

82% of insurers believe AI will dominate the industry's future. Yet only **14%** have fully integrated AI into financial operations.

At the opposite end, **6%** still report no AI usage in financial operations—a statistically significant lag behind other financial sectors.

This reveals not just slow adoption but widening divergence.

→ What this means:

Insurance is entering a performance disparity: While early adopters are embedding AI into reconciliation and financial operations, risk-averse firms are stalled in pilot phases or continue to depend on spreadsheets.

This gap will determine operational cost curves and scalability over the next five years.

→ Why is this happening?

Top obstacles include:

- > Integration challenges with legacy systems (**42%**)
- > Fragmented data environments (**39%**)
- > Lack of in-house AI expertise (**40%**)

While **97%** report having a data governance framework, over half describe it as early-stage, indicating operational immaturity.



81%

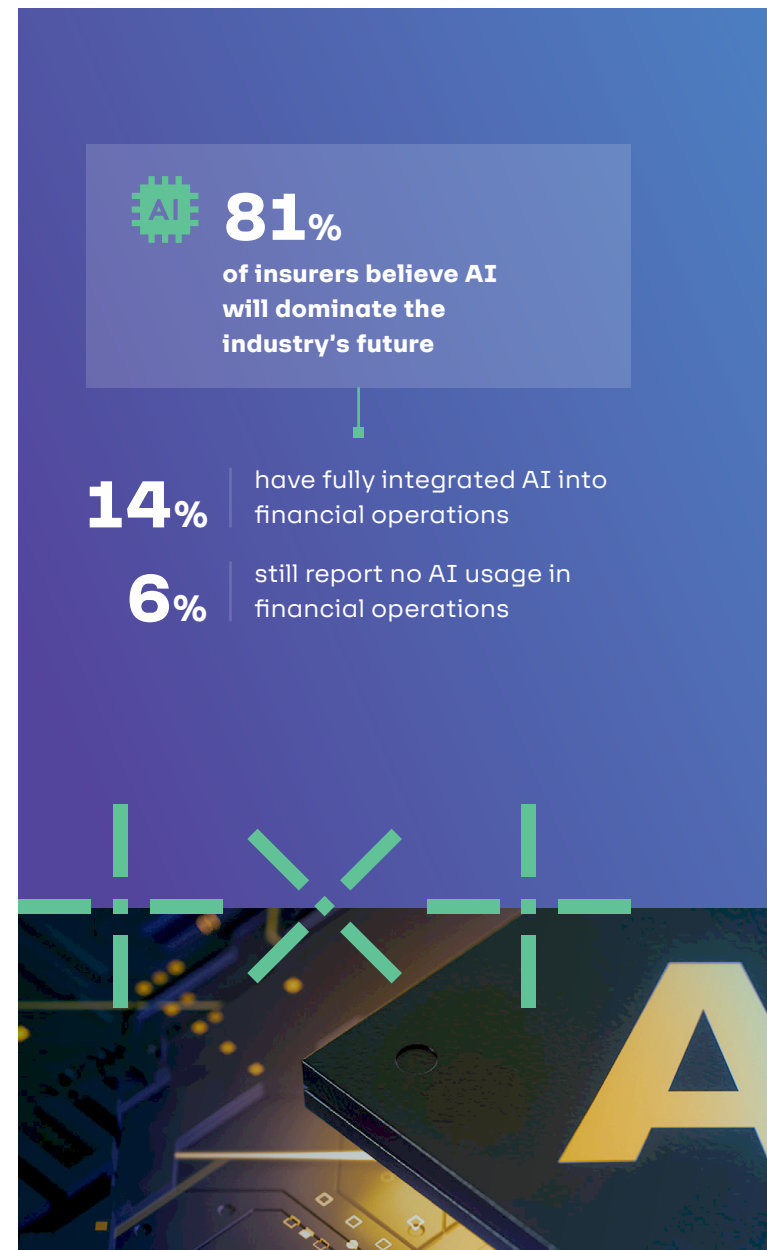
of insurers believe AI will dominate the industry's future

14%

have fully integrated AI into financial operations

6%

still report no AI usage in financial operations



Implications going forward:

AI will not differentiate insurers on vision, but on execution.

Those embedding AI into financial reconciliation today will define operational benchmarks tomorrow.

Key learnings and advice:



Move beyond pilots

Is AI embedded into financial workflows or isolated in innovation teams?



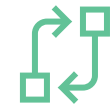
Start with structured use cases

Reconciliation is measurable, rules-based, and ROI-visible.



Strengthen data governance before scaling AI

Immature frameworks limit deployment confidence.



Benchmark against peers

Insurance lags some financial sectors, but the internal gap is widening fastest.

AI doesn't transform strategy, it transforms execution. Start where financial complexity lives.

Meghana Nile, Pre-Sales Consultant, AutoRek

3 Mega-Trend

The Data Fragmentation Trap

Automation Cannot Scale Without Architectural Discipline

Two-thirds of insurers manage over 10 data sources feeding premium processes. On average, firms handle 17 separate inputs.

This fragmentation directly fuels reconciliation complexity, audit exposure, and M&A friction.

54% cite different systems and data architectures as the top post-merger integration roadblock.

→ What this means:

Automation layered on fragmented architecture cannot scale sustainably. Without data standardization, complexity multiplies with each new acquisition or distribution channel.

→ Why is this happening?

- Historic system sprawl
- Growth via acquisition
- Diverse distribution models (DTC, broker, agent)
- Lack of industry-wide standardization

Insurance remains one of the most structurally fragmented financial sectors.

As a major broker, we've seen Insurer Reconciliation grow rapidly in scale and complexity. AutoRek stands out not just for its technical capability, but for their appetite to evolve their platform, in particular to the needs of Insurance Broking. Through AutoRek we have developed complex matching logic and automated processes that genuinely reflect how brokers operate. **Since adopting AutoRek, we have removed significant manual effort, reduced risk and cost,** and freed our teams to focus on insight and value. It has been a major step forward in the way we manage reconciliation.

Danny Sellen, Head of IREC Business Operations, Everywhen



Implications going forward:

With **80%** expecting increased M&A activity, data harmonization will become the hidden differentiator between seamless integration and operational chaos.

Key learnings and advice:



Audit your data inputs

How many sources feed reconciliation?
How many formats?



Standardize before automating

Automation layered on chaos scales inefficiency.



Design for acquisition readiness

Integration should be absorbable, not disruptive.



Treat Back-Office architecture as enterprise infrastructure

Not operational plumbing.

You can't automate fragmentation. Standardize first, scale second.

Mark Baker, Account Manager, AutoRek

The Operational Divide of 2026

Insurance modernization is no longer about innovation theater. It is about operational efficiency.

Settlement timelines are stretching. AI readiness is uneven. Data complexity is deepening. M&A activity is accelerating.

The insurers that shorten settlement cycles, embed AI into financial operations, and standardize fragmented data environments will widen the gap over the next 24 months.

The rest will continue spending **14%** of their operational budgets fixing yesterday's errors.

The future of insurance won't be won in the front office, it will be secured in the back office.





Microsoft's Key Takeaways:

1. As the insurance market continues to shift from hard to soft, competition has intensified alongside an **influx of new capacity**. While this drives higher volumes, declining margins mean insurers must reduce operational costs to remain viable. As a result, there is a strong focus on efficiency and productivity gains in areas where AI can play a critical role. Organizations are increasingly looking to do more with less, or to do more with the same resources: scaling volumes without increasing headcount.
 2. In this highly competitive environment, **speed of response to customers** is becoming ever more critical, directly impacting customer experience and retention.
 3. From a **data perspective**, value is constrained not only by data being dispersed across multiple systems, but also by the vast volumes of unstructured data embedded in documents, emails, images, and notes. Insurers are therefore leveraging AI to transform unstructured data into structured, usable formats, enabling richer insights and greater value extraction.
 4. More broadly, **AI transformation is accelerating** insurance modernization and pushing insurers to move away from legacy, on-premises systems towards cloud-based platforms. This creates the scalable data, compute, and integration foundation required to fully unlock advanced AI, automation, and agentic capabilities across the insurance value chain. Ultimately, AI enables insurers to rethink and rewire core processes for sustainable and resilient operational efficiency.
 5. On this foundation, insurers evolve into Frontier Firms by using enterprise intelligence to make AI operational—embedding trusted data, governed models, and human judgment directly into core workflows. This enables human+agent teams to make faster, better decisions across underwriting, claims, and risk management, scaling efficiency and innovation while strengthening control, transparency, and regulatory confidence.
-

Dorota Zimnoch, Global Industry Advisor for Financial Services, Microsoft

AutoRek

When accuracy counts.
Be sure.

[Book a demo >](#)

