



Turbocharging the specialty insurance market: Enabling capabilities carriers need for sustainable growth

The commercial property and casualty (P&C) insurance industry generated \$254.9 billion in 2022 and is projected to reach \$724 billion by 2032, with a compound annual growth rate (CAGR) of 11.3%. This growth is driven by factors such as increasing awareness of risk management among businesses, regulatory requirements mandating insurance coverage, and increasing needs to cover unique risks and situations.

Specialty insurance refers to a type of insurance that provides coverage for risks typically not covered under standard insurance policies. Unlike standard insurance policies, which are designed to provide insurance coverage for risks such as personal automobile and personal/commercial property, specialty insurance policies are tailored to address niche or unusual risks that require very specialized knowledge. The key benefit is the flexibility available to allow customers/businesses to obtain insurance coverage on both admitted and non-admitted bases, which may otherwise be unavailable or unaffordable in the standard P&C insurance markets.

Over the past few years there has been unprecedented growth in the specialty insurance segment with industry analysts forecasting continued material growth over the next several years. The global specialty insurance market was valued at \$104.7 billion in 2021 and is projected to reach \$279 billion by 2031—a CAGR of 10.6% during this 10-year period.¹

There have been several factors driving this growth surge and some are listed in the next section.



\$104.7B
FY2021



\$279B
FY2031

10-year 10.6% CAGR

Key factors driving specialty insurance growth

Increasing complexity and interconnectivity of risks

As businesses and industries become more specialized and interconnected, the risks they face become **more complex and unique**. Standard insurance policies often do not adequately cover these specialized risks, leading to the need for specialty insurance.

Tailored coverages and customization

The need to ensure **diverse risks** has led insurers to shift their strategy from **pushing standard products to customizing offerings** and pulling customers toward them. This approach focuses on tailoring policies to fit specific industries, individual businesses, or unique risks such as insuring nuclear energy liability contracts.

Improved technology and enterprise efficiency

The growth of specialty insurance is driven by the widespread adoption of **artificial intelligence (AI)**, **machine learning (ML)**, and **natural language processing (NLP) solutions** providing data insights for effective portfolio management, risk monitoring, and improved underwriting.

Access to niche markets

Insurers are looking to expand into other profitable markets. **New and emerging industries**, such as renewable energy and space exploration, have unique risks that require specialized insurance coverage. In response, insurers are **leveraging excess and surplus markets (non-admitted)** to cater to unique needs at an accelerated pace.

So, what should carriers do to tap into or sustain their growth? Based on our experience, and depending on the scenario, as outlined below, we see carrier opportunities as being very different.

What specialty carriers need for growth

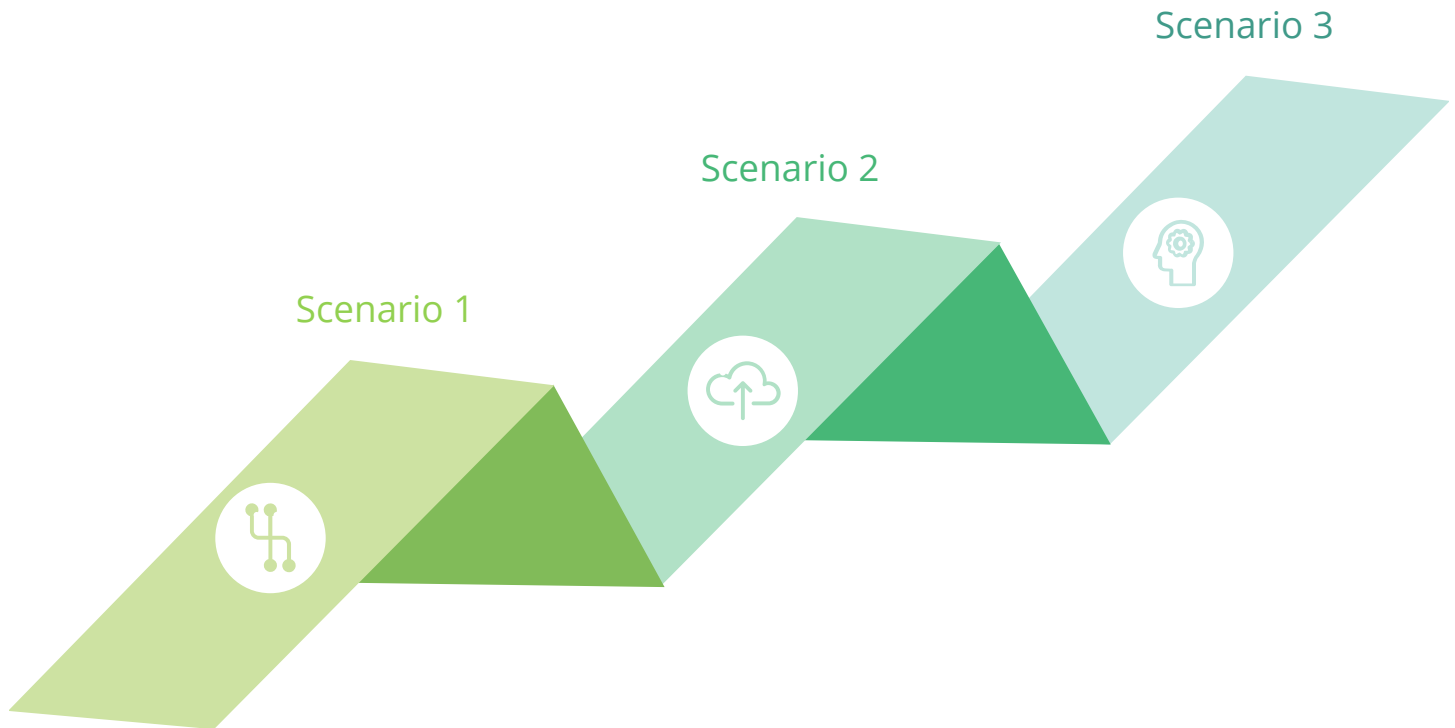
To achieve growth and to sustain it, we think it's imperative for carriers to be able to roll out products faster in a cost-effective mode, streamline operations for value generation, establish effective feedback loops to make products relevant in the market, and proactively adapt to market dynamics through a differentiated broker experience—all without significant upfront capital investments and while investing in flexible, forward-looking technology.

Holistically, we see technology priorities for any carrier typically spanning across digital, core processing, and data and analytics capability themes:

- **Digital** capabilities focus on digitizing submissions intake and internal workflows, emphasize workflow and business process management deployments to support underwriting processes, and incorporate business logic or predictive analytics into multisystem processes.
- **Core processing** capabilities focus on policy life cycle actions including policy production, policy administration (including billing and claims), rating, and document creation for custom policies and correspondence to avoid high upfront costs for new products and enable speed to market.
- **Data and analytics** capabilities focus on creating a differentiated way to use data for better and profitable risk selection and risk management through integrated myriad data sources.

We also see carriers typically fitting into one of the following three transformation journey scenarios and think that the need for key capabilities characteristically defines them.

Transformation journey scenarios



Carriers entering the specialty market are prioritizing their investments with:

- Modular product architecture and designs to facilitate a scalable and reusable solution.
- Modern software-as-a-service (SaaS) platform that addresses “speed to market” and enables the organization’s needs of the future.
- API-driven architecture to improve ease of doing business and enable digital portals efficiently.

Existing carriers that have established core processing capabilities are looking to improve agility and experience through:

- Highly digitized and automated distribution channels for agents and brokers to gain operational efficiencies and straight-through processing.
- Enhanced underwriting workflow experience and risk selection via automation, predictive modeling, portfolio monitoring, reporting, and analytics.
- Robust data foundation established by implementing cloud data warehouses, operational data stores, and data marts to improve speed to insight on market risk and pricing intelligence.

Existing carriers with established core processing capabilities are pursuing analytics-driven scale and differentiation leveraging:

- GenAI-enabled intelligent automation to improve underwriting efficiencies.
- Extending predictive model solutions that can enhance the organization’s success in analytics for market differentiation.
- Integrated unstructured text ingestion solutions based on AI and ML technologies.

SCENARIO 1

Carriers entering the specialty market

Specialty carriers fitting into scenario 1 are typically operating with manual processes, with little to no workflow, and automation capabilities are accessing multiple disparate systems that can lead to errors in documents, data capture, and calculations. These process inefficiencies are some of the major factors increasing the total cost of operations and high recovery efforts related to the core policy processing. We think that specialty carriers, at this pivotal phase of their transformation journey should prioritize their investments with the following modernization capabilities with a focus on streamlining business processes and operations.

Modularize product architecture

Carriers can establish the foundation for their product portfolio by designing the core system platforms with a modular and scalable product hierarchy that provides them the flexibility to add new product offerings. Modular design enables them to reuse modules across various products and packages, which can lead to economies of scale and cost reductions. Additionally, modular design allows for a “factory” model that can lead to faster product development.

Modern SaaS platform to enable speed to market

Carriers are upgrading their core systems to SaaS-based solutions to accelerate new business growth and reduce underwriting cycle times. SaaS products can easily be scaled to fit each business need without additional investment in infrastructure and enable rapid entry into market niches by launching new and enhanced product offerings faster in the market.

- **Highly configurable policy solution:** Leading specialty insurance carriers are deploying highly configurable cloud solutions with prebuilt modules and components as well as prebuilt integration capabilities that allow business users to define various data elements with product configurators, simple rules, and tools for rating and pricing to expedite the product development and simplify the integration process.
- **Seamless claims handling experience:** Specialty carriers using legacy systems lack a centralized claims process, causing integration issues with core systems (i.e., policy admin, litigation and catastrophe management) that leads to delayed settlements and lower customer satisfaction. To overcome this, specialty carriers should digitize the claims handling by redesigning the process flow, applying technology, and ensuring core capabilities are automated for handling various lines of business, complex claims, and unique coverages, along with tracking special instructions.
- **Customer-centric and highly flexible account billing solutions:** Specialty carriers need to adapt to technology advancements to expedite the financial billing processes in the core application with rapid integration with InsurTech systems to have a viable digital ecosystem that can provide seamless broker experience with innovative process flow for supporting the core billing capabilities such as preferred billing methods, billing for large complex accounts, retail, and wholesale billing.

API-driven architecture for flexibility

There is an increased focus on adopting an application programming interface (API)-driven architecture for carriers to meet the adaptable requirements of business partners like producers, data vendors, and affinity partners. Specialty carriers are transforming core applications into domain-based microservices and APIs to create a modular, scalable, and flexible architecture that can deliver more real-time, responsive experiences to customers and agents. This helps the organizations to future-proof their architecture and enable faster business outcomes.

SCENARIO 2

Existing carriers looking to improve agility and experience

Specialty carriers in scenario 2 are continuously looking for opportunities to innovate, digitize, and automate their current processes by leveraging advanced tools and technologies. Deloitte suggests that carriers at this stage take advantage of the following considerations to extend their current core systems and expand their analytics ambitions to facilitate advanced data mining and modeling capabilities.

Highly digitized and automated distribution channels

Carriers are considering (and should consider) extending the core to prepare for an interconnected ecosystem.

- Streamlining the exchange of data in underwriting and renewal transactions with trading partners through reusable API libraries and interconnected systems or marketplaces.
- Digital platforms to streamline the quote-to-bind process with trading partners in certain lines of business for specific risk profiles.
- Exploring relationships to participate in a data ecosystem of agents, brokers, carriers, and intermediaries to increase value through stronger connectivity.

Enhanced digital underwriter experience

When thinking about extending the core, underwriters and brokers expect a digitally enabled ecosystem that delivers fast, consistent service. A highly automated underwriting workbench that allows for complex workflows and business process management can increase operational efficiencies for underwriters and drive business growth. In addition, availability of web services and API libraries for out-of-the-box integration allows easy access of wealth of third-party data for improved decision-making. Hence, many specialty carriers are investing in underwriting workbench solutions to boost underwriters' productivity and enrich user experience.

Investing in a robust data foundation

Specialty carriers are prioritizing cloud data warehouses, reporting tools, and data science investments to optimize their portfolios. Additionally, carriers are leveraging advanced data analytics tools to better understand risk profiles, predict potential losses, and improve overall decision-making. Specialty carriers should prioritize tools that will help to reduce cycle time and effort associated with broker communications, improving broker experience, and enhancing underwriters' decision-making abilities.

SCENARIO 3

Existing carriers pursuing analytics-driven scale and differentiation

Specialty carriers in scenario 3 are investing in advanced capabilities for a competitive edge and innovative solutions. The growing use of artificial intelligence and automation, amid intense pricing competition, is fueling demand for improved underwriting and claims processes across all market segments. Predictive modeling is increasingly guiding strategies, especially in segments like management and professional liability. Deloitte endorses carriers at this phase to explore the following state-of-the-art technology-driven solutions for ensuring operational efficiency and strategic positioning within the competitive landscape of specialty insurance.

Integrated unstructured text ingestion solutions

Smart intake of applications and documents using data ingestion tools and technologies will likely expand capabilities beyond the core. Enhanced forms submissions, where received forms from the brokers are parsed and ingested via ML or NLP-enabled solutions, enable processing of unstructured data and expedite risk analysis. This will also help minimize the need to communicate changes applicable to the format of the submitted documents with brokers and allows the process to transform from “within the walls of the carrier,” as a minimum change will be required from the broker’s point of view. Unstructured text ingestion solutions based on AI and ML technologies can eliminate manual data entry, reducing errors and gaps.

Extending predictive model solutions

Using AI and ML tools for predictive modeling across the insurance value chain can enhance analytics capabilities for market differentiation by designing, building, and testing models that align with business goals and the overall analytics vision. Additionally, carriers look to drive effectiveness by evaluating and optimizing business rule structures and analytics integration by developing a technology platform to operationalize models for production use, modernize data and analytics architecture, and leverage robotic and intelligent automation technologies.

Generative AI-enabled intelligent automation

GenAI-enabled modeling and advanced predictive analytics can drive underwriting results by improving underwriting efficiencies, customizing products and services for their customers, streamlining operations, detecting fraud, and assessing risk. Analysis of unstructured data (e.g., loss control or risk engineering reports, claims adjuster notes, financial analyst reports, legal decisions) can be used to identify risk patterns and inform underwriting decisions. Generative AI can help present the insights from the data in an easily consumable format. Also, it can be utilized to personalize products based on contextual customer information as it provides tailoring products, services, and pricing in real time to meet customer-specific needs and expectations.

Conclusion

We think specialty carriers looking to tap into or sustain their growth during this unprecedented growth phase in the market segment need to act regardless of which scenario they closely align to. The future of specialty carriers hinges on their ability to integrate forward-looking technologies seamlessly, providing a responsive and customer-centric insurance experience in an ever-evolving landscape.

Deloitte can help carriers in the specialty insurance market to align their strategies with one of these scenarios and keep them ahead of technological trends to thrive and meet the demands of the dynamic specialty insurance sector.

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Endnotes

1. Kanhaiya Ramesh Kathoke, Sourabh Ekre, and Vineet Kumar, [Specialty insurance market: Opportunities and forecast, 2021–2031](#), Allied Market Research, March 2023.

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