

A DIAGNOSTIC FOR LEADERSHIP

The Performance Gap Under Pressure

sapiens 



Table of Contents

Seven sections. One diagnostic lens:
where exactly is your gap?

Module	Page
Executive Summary	3
From Diagnosis to Decision	4
1 The Five Enterprise Performance Gaps	5
2 Gap Intensity Is Not Uniform: It Follows Your Strategy	6
3 Performance Signals by Role	7–8
4 The Operating Model Maturity Arc	9–10
5 AI: Amplifier, Accelerator, or Agent?	11
6 Assessing Your Gap Exposure: Three Companion Tools	12
7 From Measurement to Structural Action	13
Are Your Systems at GO?	14

Executive Summary

Every insurer faces the same volatility, but not all respond in the same way. The insurers that absorb disruption and emerge stronger share one thing: an operating model built to adapt. Those who fell behind have structural gaps that were already present before the pressure arrived.

This whitepaper helps you find and measure your performance gaps with a set of diagnostics.

- **Five gaps that determine performance under pressure.**
Each is measurable, maps to executive KPIs, and compounds the others during volatility.
- **Your strategy determines which gaps hurt you most.**
Growth, capital optimization, and operational excellence each activate a different primary gap.
- **What this looks like in your role.**
CIOs see it in legacy logic; CFOs in combined ratio drift; COOs in surge failure.
- **Where your organization sits – and what it takes to advance.**
The maturity arc shows you the path and where agentic AI becomes your next competitive advantage.
- **Three diagnostic tools – available.**
Gap diagnostic, strategy heat map, and maturity model. All are free and practical.

Signal: Is your operating model built to adapt – or only to perform in stable conditions?

From Diagnosis to Decision

Our previous whitepaper highlighted today's clear operating reality: In a structurally volatile market, your operating model is either absorbing disruption or compounding it. The performance gap between adaptive and static insurers is widening, and its effects extend beyond the balance sheet, to the policyholder.

This diagnostic takes the next step. It applies a stress test lens to that reality and offers you free

and immediate access to insightful and easy to use diagnostic tools. If the operating model is the variable, what does underperformance look like when pressure rises? Where does it surface, how does it compound, and how exposed is your organization today?

The analysis is structured around five enterprise performance gaps. Each is measurable, mapped directly to the KPIs owned by the CIO, CFO, and COO, and linked to a tangible customer outcome. Together, they form a diagnostic framework for assessing structural exposure, and a bridge from market conditions to informed action.

Signal

The performance gap is not a single event. It is the cumulative effect of five structural misalignments, each one compounding the others when volatility hits.



1 The Five Enterprise Performance Gaps

Static operating models do not just underperform in volatile markets – they fracture. The pressure exposes weak points and what starts as an internal inefficiency becomes a compounding structural problem that eventually touches the policyholder. The table below maps each of the five gaps to its internal signature, the KPIs it puts under pressure, and the customer-facing consequence that follows.

	Internal symptom	Primary KPI	Customer Impact	Strategy Stress
Operational	Manual backlogs, surge failure, rekeying errors	STP Rate, cycle time, GWP/FTE	Slow claims, service failures, delayed policy issuance	Operational excellence
Financial	Combined ratio drift, opaque ROI, reserve uncertainty	Combined ratio, expense ratio, ROE	Delayed filings, regulatory exposure	Capital optimization
Compliance	Fragmented audit trails, IFRS 17/Solvency II strain	Reporting accuracy, audit findings	Unsuitable products, adverse selection, misaligned underwriting decisions	All strategies
Decisioning	Siloed logic, pricing disconnected from claims	Loss ratio, loss leakage, STP rate	Unsuitable products, adverse selection, misaligned underwriting decisions	Capital optimization
Speed-to-Market	Long product cycles, slow appetite changes	Product launch time, change velocity	Coverage gaps, delayed product availability, unmet policyholder needs	Growth & expansion

Note: Swiss Re [estimates](#) total insured losses fall over \$900 billion short of total economic losses from natural catastrophes annually. The broader global protection gap across all perils – including life, health, and non-catastrophe P&C – is estimated at over \$1.8 trillion. These figures measure the gap between economic loss and insured coverage. A significant and addressable component of that gap reflects the cumulative cost of operating model limitations that reduce carrier capacity, constrain underwriting precision, and limit the speed at which coverage can reach new risk segments.

2

Gap Intensity Is Not Uniform: It Follows Your Strategy

No two insurers carry the same gap exposure and the reason is usually strategy. The gaps that create the most pressure for an insurer in aggressive growth mode are not the same ones keeping a capital-efficiency-focused insurer up at night. Where you are headed as an organization shapes which gaps are most active and how urgently they demand attention.

Across **three common insurer strategies**, the patterns are consistent enough to be useful as a starting point for prioritization:

Risk:
Moderate

Growth & Expansion

Speed-to-market | Decisioning

Speed-to-market and decisioning gaps tend to dominate here. Slow product launch cycles, manual underwriting rules, and fragmented appetite management all create a ceiling on how fast you can bind, at exactly the moment distribution partners are expecting the most from you.

Risk:
High

Capital Optimization

Financial | Decisioning

The financial and decisioning gaps are where the pressure builds up. When pricing logic is still embedded in legacy code and recoverable accuracy is drifting, the precision adjustments that protect margins become difficult to execute in a timely fashion.

Risk:
High

Operational Excellence

Operational | Financial

The Operational gap becomes the primary constraint. High claims backlog ratios, low GWP-per-FTE, and STP rates that are not improving are all signals that automation investment has not yet translated into structural throughput gains, regardless of what the technology roadmap says.

Explore the full [Strategy Heat Map](#), a free companion tool that maps all 32 executive KPIs across all three strategies. Each KPI is scored by gap intensity and line-of-business impact for CIOs, CFOs, and COOs, with full benchmarks and industry source citations available in the tool.



The compliance gap is not strategy-specific – it is a structural risk present across three insurer strategies. IFRS 17, Solvency II, NAIC, and the EU AI Act create regulatory exposure that compounds independently of whether you are growing, optimizing, or consolidating.

3

Performance Signals by Role

The five gaps do not show up the same way for every insurer. Where they surface, and how urgently they demand attention, depends on what you are responsible for. Below are the diagnostic signals that matter most for the three executive roles most directly exposed to operating model misalignment.

CIO: When Technology Risk Becomes a Business Risk

The gaps tend to show up for CIOs as execution constraints, rather than system failures. The most telling indicator is how embedded your decision logic is. When more than half of your decision rules cannot be updated without opening an IT release cycle, you are already carrying significant speed-to-market and decisioning gap exposure, regardless of whether they are visible yet in your KPIs. Next, watch your STP rates. Once straight-through processing falls below 50%, operational costs start compounding and distribution velocity stalls in ways that are difficult to quickly reverse. Policy issuance cycle times above 15 days are another signal worth taking seriously. No distribution investment will offset a structural throughput constraint at that level.

>50%

Of decision rules locked in legacy

<50%

Straight-through processing rate

>15 days

Policy issuance cycle time

CFO: When Cost Volatility Becomes Structural

CFO exposure tends to concentrate in the financial gap and the core problem is usually visibility, rather than performance. Combined ratio drift is manageable when you can trace it to specific operational decisions. When the expense and loss components are effectively a black box, you lose the ability to make corrective

adjustments before the margin impact compounds. Reinsurance recoverable accuracy below 95% creates a related problem, distorting your capital position and introducing reserve volatility that is difficult to explain to a board. Days to financial close above 10 is the third signal to watch. Capital deployment decisions made on data that is already two-weeks old are decisions made without the full picture.

<95%

Reinsurance recoverable accuracy

>10 days

Days to financial close

COO: When Operational Delays Become Customer Failures

The gaps translate most directly into policyholder experience for COOs, which makes them both the most visible and the most consequential to manage. A claims backlog ratio above 1.0x is the clearest signal of surge resilience failure: your operation cannot absorb volume spikes without service deteriorating. GWP-per-FTE ratios below the tier-appropriate threshold tell a related story – that automation investment has not yet converted into operating leverage in any meaningful way. And change implementation velocity above 90 days means that pricing corrections, appetite changes, and product updates are arriving after the fact, once the loss trend has already moved on.

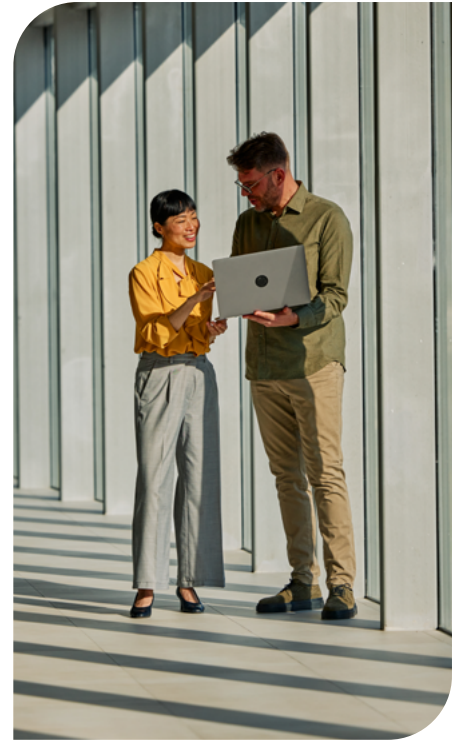
>1.0x

Claims backlog ratio

90 Days+

Change implementation velocity

These signals identify where pressure is already visible, but the operating model arc shows you how far the underlying structural gap extends, and what closing it actually requires.



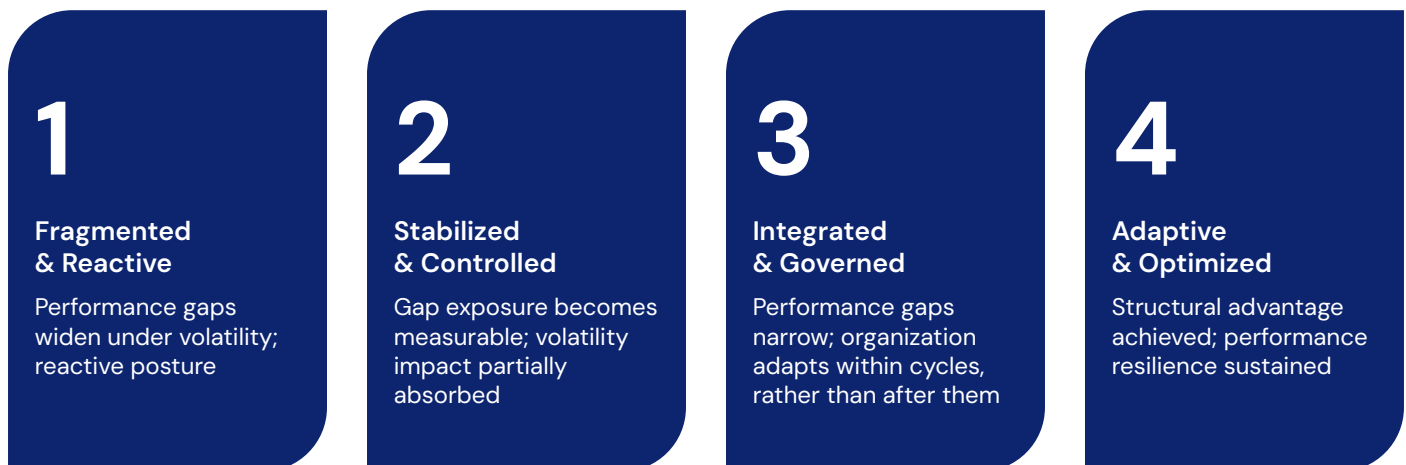
Methodology Note

The performance thresholds cited in this section – STP rates, cycle times, combined ratio bands, recoverable accuracy levels, and productivity ratios – are directional benchmarks derived from Sapiens' analysis of operational data across client engagements and publicly available industry reporting. They reflect patterns observed across tier 1 and tier 2 insurers in North American and EMEA markets, and are intended as reference points for executive self-assessment. They are not absolute standards derived from a single third-party study. Individual insurer performance will vary by line of business, market, and operating model adaptability.

4

The Operating Model Maturity Arc

Performance gaps rarely arrive at once. They build up gradually, one deferred modernization decision at a time, as the operating model falls further behind the pace of structural change in the market. The four-phase arc below captures that progression. It is also available as an interactive diagnostic tool, so you can identify where your organization sits today and what moving forward actually requires.



Most insurers today operate at phase 1 or 2. The transition from phase 2 to 3 is where the performance gap begins to close. Not due to individual systems improving, but because operating model coordination replaces functional silos. Phase 4 represents structural advantage – the ability to adapt within cycles, rather than after them, continuously narrowing the protection gap.

Dimension	Fragmented & Reactive	Stabilized & Controlled	Integrated & Governed	Adaptive & Optimized
Operating Model	Siloed systems, manual workflows, embedded logic in legacy code, spreadsheet-managed processes	Core systems modernized in pockets; workflow automation emerging; partial standardization	Cross-functional process alignment; enterprise KPIs visible; operating model coordinated across LOBs	Living operating architecture; continuous recalibration across underwriting, pricing, claims, and capital
Decisioning Capability	Decision logic fragmented across systems; rule changes require IT cycles; limited transparency	Start of centralized rule repositories; improved version control; reduced decision inconsistency	Unified decision layer decoupled from core systems; deterministic logic governs AI; near real-time feedback loops	Enterprise decision intelligence platform; dynamic rule updates; scenario modeling embedded

Dimension	Fragmented & Reactive	Stabilized & Controlled	Integrated & Governed	Adaptive & Optimized
Financial Impact	Volatile combined ratio; capital inefficiency; claims leakage; high expense ratio	Improved expense management; leakage reduction begins; more stable reserving	Improved combined ratio stability; optimized reinsurance structures; better capital allocation discipline	Sustained ROE stability; capital efficiency optimized; reduced earnings volatility across cycles
Compliance Posture	Manual regulatory reporting; audit findings common; limited AI explainability	Partial automation of reporting; better traceability; compliance improving, but reactive	Automated regulatory reporting; AI explainability embedded; proactive audit readiness	Embedded regulatory intelligence; compliance continuous and automated
Technology & Data State	Disconnected core systems; inconsistent data definitions; reconciliation heavy	Data integration improving; APIs emerging; reduced manual reconciliation	Connected data architecture; harmonized data models; portfolio-level visibility	Real-time data ecosystem; API-driven modular architecture; scalable globally
AI Role and Agentic Readiness	Experimental or siloed AI pilots without governance. Agents not deployable, no reliable action surface or data foundation	AI viable in specific functions – underwriting triage and claims scoring – with limited guardrails; agentic deployment premature; failure modes would be fast and opaque	AI governed, explainable, and aligned to strategic priorities; targeted agentic operations viable in bounded workflows: claims triage-to-settlement, submission-to-quote, FNOL-to-reserve	AI continuously optimized enterprise-wide within governance guardrails; enterprise agentic operations active; agents pursue defined outcomes across underwriting, claims, pricing, and capital simultaneously
Strategic Outcome	Performance gaps widen under volatility; reactive posture	Gap exposure becomes measurable; volatility impact partially absorbed	Performance gaps narrow; organization adapts within cycles, rather than after them	Structural advantage achieved; performance resilience sustained; contribution to narrowing protection gap

The maturity diagnostic is available as a standalone assessment tool. Use it to map your current state across the five performance gaps, identify the highest-priority remediation zone, and benchmark against peer insurers. Access the [Maturity Model Diagnostic](#).

Where your operating model sits on that arc determines something more consequential than your current performance gap rather it determines whether AI can work for you or against you.

5

AI: Amplifier, Accelerator, or Agent?

Most AI deployments in insurance today follow the same basic pattern. A model takes in data, produces a recommendation, and a human decides what to do with it. That works reasonably well when the underlying environment is sound.

The problem is that AI does not improve a fragmented environment – it reflects it. Siloed data, logic buried in legacy code, manual reconciliation holding everything together: AI deployed into that situation does not fix any of it. It just moves faster through the same broken processes. Flawed underwriting logic becomes faster flawed underwriting logic. The performance gap does not close. It widens.

Flip the conditions and the picture changes entirely. When the operating model is adaptive, connected data, decoupled decision logic, and embedded governance give AI something real to work with. It stops being a faster version of a manual process and starts acting as a genuine accelerator. Forrester's 2026 forecast supports this directly: AI improves expense ratios at the top 50 insurers by two percentage points, but only for insurers that have moved beyond pilots into production at scale.

Agentic AI raises the stakes further. These are systems that do not

wait for a human prompt. They pursue defined goals, coordinate across workflows, and act continuously within parameters that the organization sets and controls. This is what distinguishes viable agentic deployment from the version that creates risk: configurable autonomy. The agent's scope, escalation thresholds, and decision authority are determined by the operating model it runs on, not by the AI itself. Human judgment remains the authority on exceptions, edge cases, and high-consequence decisions. The organization decides how much of the workflow the agent owns, and the governance layer enforces those boundaries continuously.

Deployed on a fragmented operating model, an agent cannot compensate for the fragmentation. It acts on it, at speed, inside a system that has no reliable guardrails to contain the consequences. Deployed on an adaptive operating model, with connected data, decoupled logic, and embedded governance already in place, agentic AI operates within a structure designed to support it. The five performance gaps are the specific conditions that determine which of those two outcomes you get.

The five gaps are not just performance liabilities, they are the specific conditions that determine

whether agentic AI becomes your next competitive advantage or your next source of compounding risk. Insurers who close them now build the structural foundation before the window narrows. The Maturity Model Diagnostic will show you exactly where your operating model sits on that arc today, and what it will take to move forward. That assessment is available now, at no cost, and takes less than fifteen minutes.

Signal

The question is not whether to adopt agentic AI. It is whether your operating model is ready to support it in a way that is controlled, auditable, and designed to expand as confidence grows. The five gaps are where that readiness is built or absent.

6

Assessing Your Gap Exposure: Three Companion Tools

This paper is supported by three diagnostic resources, each designed to make operating model gap assessment actionable at the executive level.

Performance Gap Diagnostic

Scored self-assessment across five sections – operational, financial, compliance, decisioning, and speed-to-market – that generates a heat map profile of structural exposure. Each section produces a subtotal that maps to low gap, moderate exposure, high structural gap, or critical priority.

Output: Heat map profile of gap exposure by dimension.

Access at: <https://content.sapiens.com/structural-diagnostic-tool/>

Strategy Heat Map

Plots 32 executive KPIs across the three corporate strategy scenarios, identifying which gaps are most active given your current strategic posture. CIO, CFO, and COO signals are scored by gap intensity and line-of-business impact, with validated external sources and threshold citations for each metric.

Output: Gap intensity by role and strategy; KPI benchmarks with citations.

Access at: <https://content.sapiens.com/strategy-heat-map/>

Maturity Model Diagnostic

Places your operating model on the four-phase arc across seven dimensions and identifies the operating model characteristics, technology conditions, and decisioning capabilities required to advance.

A derived agentic readiness indicator – calculated from your decisioning, technology and data, and AI role dimension scores – identifies whether your operating model currently supports conventional AI deployment, targeted agentic pilots, agentic operations in defined domains, or enterprise-wide agentic execution.

Output: Operating model phase placement across seven dimensions; derived Agentic Readiness Indicator.

Access at: <https://content.sapiens.com/maturity-model-diagnostic/>

The Outcome

The three tools are designed to be used together – the diagnostic names the gap, the heat map contextualizes it by strategy, and the maturity model frames the remediation path and agentic readiness.

7

From Measurement to Structural Action

Knowing where your gaps are is the necessary first step. But a diagnostic score does not close anything on its own. The harder question is, what does an operating model look like when it is built to hold up? This is a model that absorbs volatility, keeps decisioning aligned, and sustains performance across cycles, rather than recovering from them.

Platform architecture is the solution, but not in the way that phrase usually gets used. This is not about replacing one system with another, or checking a modernization box. It means changing how the operating model is constructed. When underwriting, policy administration, claims, pricing, and decisioning run on a unified platform with connected data and governed logic, the five gaps stop accumulating independently. They get addressed continuously, at the structural level, and at scale.

There is also a forward dimension here that matters just as much as the immediate case for change. Carriers that close these gaps in the current cycle will have the

structural foundation in place when agentic capability becomes the competitive baseline; those that defer will face the same gaps, compounded by the speed at which AI-enabled competitors will pull away. The same conditions that close the five performance gaps are exactly what make agentic AI viable in production. The platform does not just fix today's gaps. It builds the foundation for the next phase of competitive differentiation. This is not AI adoption in the conventional sense, but rather agentic execution, where intelligent systems pursue defined business outcomes autonomously across the full operating model.

1

Mapping each gap to the specific platform capabilities that close it, across P&C, Life & Annuities, Reinsurance, Workers Compensation, and Enterprise Decisioning.

2

An introduction to the “platform insurance company”, an organization where unified technology, embedded AI, and continuous operating model recalibration work together.

3

And it lays out which workflows are ready for agentic deployment today, what governance is required to sustain them. Insurers at each phase of adaptive operating model development can chart a path to outcome-as-a-service, where the platform delivers measurable business performance, not just operational capability

The protection gap is not a market abstraction. It is the cumulative consequence of operating model gaps left unaddressed. Closing it begins with an honest assessment of where your systems stand today and creating a clear architectural path forward. For the carriers that build that foundation now, the next phase of competitive advantage is agentic execution.

Are Your Systems at **GO?**

Performance Gap
Diagnostic

Strategy
Heat Map

Maturity Model
Diagnostic

Contact Sapiens to start your structured operating model assessment.



About Sapiens

Sapiens International Corporation N.V. is a global leader of AI-centric, SaaS-based insurance software, delivering hyper-relevant experiences that are efficient, compliant, and innovative. With agile intelligence, Sapiens' solutions turn real-time data and human insight into precise action at every moment, across every risk. The Sapiens platform includes agentic workflows accelerating every capability across policy, underwriting, claims, reinsurance, decisioning, and finance and compliance. With more than 600 insurers in over 30 countries running on Sapiens, our deep industry expertise is the foundation of our long-term relationships, from initial implementation through to modernization and market transformation. Sapiens is headquartered in London, serving customers in property and casualty, life, reinsurance, specialty, and workers' compensation from offices across North America, Europe, the Middle East, and Asia Pacific. For more information visit sapiens.com or follow us on [LinkedIn](https://www.linkedin.com/company/sapiens).