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# MANAGING UNDERWRITING AND OPERATING EXPENSES

A FRAMEWORK FOR MANAGING OPERATIONAL COST IN INSURANCE

SOLSTICE INNOVATIONS, INC.

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*This white paper examines insurance underwriting and operating expenses as the cost categories most directly influenced by carrier operating decisions. Using statutory reporting definitions and independent industry research, it outlines a regulator-aligned framework for improving insurance underwriting and operating expenses through workflow design, operational segmentation, governed automation, and disciplined execution across flood, homeowners, and specialty lines.*

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## INTRODUCTION

While losses and loss adjustment expenses account for the largest share of total insurance costs, statutory regulators, rating agencies, and independent industry analysts consistently identify underwriting and operating expenses as the cost category most directly influenced by carrier operating decisions (National Association of Insurance Commissioners [NAIC], 2024; AM Best, 2025; Deloitte, 2024).

Loss costs are shaped by external forces such as catastrophe activity, repair and medical inflation, legal and social trends, and macroeconomic conditions. In contrast, underwriting and operating expenses are more closely associated with process design, distribution models, technology choices, vendor management, and organizational structure, all areas subject to management discretion and governance.

As a result, many insurers focus operational improvement initiatives on expense management to improve underwriting results while maintaining underwriting discipline, regulatory compliance, and consumer protection standards (AM Best, 2025; McKinsey & Company, 2025).

This white paper presents a framework for understanding underwriting and operating expenses and outlines practical, line-specific cost management approaches for NFIP flood, homeowners, and specialty insurers, examining:

- What actually drives insurance expense ratios
- Where controllable costs hide inside everyday operations
- Five proven strategies carriers can use to lower expenses
- How modernization, automation, and AI change the cost curve
- Why sustainable cost reduction requires designed work, not just tools

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## WHY EXPENSE RATIO MATTERS MORE THAN EVER

For statutory reporting purposes, underwriting results are generally segmented into two categories: losses and loss adjustment expenses (LAE), and underwriting and operating expenses, including acquisition and general expenses (NAIC, 2024).

*Industry analysis indicates that operating expense growth is increasingly decoupled from premium growth.*

The NAIC and other oversight bodies consistently distinguish these categories because different underlying factors drive them. Losses and LAE are primarily influenced by risk exposure, claims severity, catastrophe activity, and legal or economic conditions. Underwriting and operating expenses, by contrast, reflect how insurance operations are organized and executed (NAIC, 2024).

The insurance industry continues to face persistent operational pressures, including rising claim complexity and litigation, increasing regulatory scrutiny and compliance requirements, ongoing talent shortages in underwriting and claims functions, fragmented legacy

technology environments, and heightened service expectations from both agents and policyholders.

We often view growth as a means to improve operational efficiency or at least partially offset the associated costs. But industry analyses from the Swiss Re Institute and the Federal Insurance Office show that expense growth is increasingly decoupled from premium growth, meaning carriers cannot “grow their way out” of inefficiency.

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## WHAT COUNTS AS “EXPENSE” (AND WHY IT’S OFTEN MISUNDERSTOOD)

Rating agencies such as AM Best regularly note that improvements in underwriting results are often associated with sustained expense discipline, even during periods of adverse loss development (AM Best, 2025).

Underwriting expenses are defined and reported separately from losses and loss adjustment expenses, reflecting their different drivers and management considerations. Insurance expense ratio is often presented as a single number, but it actually reflects a portfolio of operational behaviors.

Underwriting and operating expenses cover tasks throughout the policy lifecycle, such as distribution, acquisition, submission intake, underwriting review, policy issuance, servicing (endorsements, cancellations, renewals), customer and agent support, claims management, administration, and vendor oversight.

Importantly, many of these activities do not scale proportionally with premium growth. Without intentional design, increased volume often leads to higher exception rates, rework, and increased staffing requirements (Deloitte, 2024).

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## THE HIDDEN ENEMY: REWORK AND EXCEPTION-DRIVEN OPERATIONS

Independent industry research consistently identifies unplanned rework and exception handling as contributors to elevated operating expense, longer processing times, and increased operational risk (Deloitte, 2024).

Common drivers of elevated operating expense and operational variability include incomplete or inconsistent submissions, late discovery of eligibility or underwriting issues, manual processing of routine transactions, redundant reviews across internal teams or external vendors, and servicing inquiries driven by unclear documentation or limited status visibility.

From a governance standpoint, exception-driven operations introduce not only higher cost, but also greater compliance and quality risk, making them a focus area for both management and oversight functions.

The same operational breakdowns that drive higher expenses (e.g., rework, late issue discovery, inconsistent documentation) also delay document delivery, increase agent inquiries, and diminish customer experience (CX). As a result, many expense-reduction initiatives also improve CX by reducing follow-up calls, clarifying or automating documents, and accelerating delivery timelines.

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*Expense ratio is not primarily a staffing problem. It is a process design problem.*

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## LINE-OF-BUSINESS COST DYNAMICS: WHERE EXPENSE BECOMES CONTROLLABLE IN PRACTICE

While the mechanics of expense ratios are consistent across insurance lines, where controllable costs concentrate, they vary significantly by line of business. NFIP flood, homeowners, and specialty carriers face different regulatory, operational, and servicing pressures, but all share a common opportunity: designing work to reduce exception volume.

### NFIP FLOOD INSURANCE: EXPENSE CONTROL IN A HIGHLY REGULATED MODEL

Within the NFIP flood framework, Write Your Own (WYO) companies operate under prescriptive program requirements that define eligibility, rating, documentation, claims handling, and reporting obligations. While these requirements are externally established, carriers retain discretion over how they are operationalized, including workflow design, vendor oversight, document handling, and quality control processes. Industry analysis indicates that excess operating expenses in flood operations are most often associated with duplicative reviews, manual validation of standardized data, and reactive servicing workflows, rather than with the regulatory requirements themselves (NAIC, 2024). Accurate and complete underwriting execution is also a prerequisite for efficient claims handling, as discrepancies in eligibility, rating, or documentation frequently delay claim resolution and increase rework during audits and appeals.

As a result, expense management in flood insurance is most effective when carriers focus on consistently executing prescribed rules through standardized workflows and ongoing monitoring, rather than ad hoc interventions. Although premiums and rates are set externally, operational execution remains within the carrier's control.

#### The hidden cost driver: regulation-induced rework

Flood carriers sometimes accept inefficiency as an unavoidable byproduct of regulation. In practice, however, a significant share of excess costs arises from manual verification of upstream data, duplicative reviews across vendor and carrier teams, servicing actions triggered by incomplete or late information, and claims documentation that must be reassembled for audit, appeal, or review.

#### High-impact NFIP flood expense reduction strategies

High-impact expense reduction in NFIP flood operations, therefore, centers on improving how prescribed requirements are executed, monitored, and documented. Rules-based underwriting validation reduces unnecessary manual review by automating eligibility, zone, and rating checks and reserving underwriter involvement for true exceptions. Improved servicing workflows further reduce friction by standardizing endorsements, lender changes, cancellations, and reinstatements, while automating notice generation and delivery tracking.

Vendor oversight shifts from ticket-driven review to ongoing monitoring using defined performance measures such as cycle time, touch count, and exception drivers, enabling earlier identification of operational issues.

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*In NFIP flood operations, expense concentrates in:*

- 1. Manual underwriting validation despite standardized rating*
  - 2. Policy servicing volume driven by lender activity (force placement, mortgagee changes, renewals)*
  - 3. Document compliance (mandatory notices, timing, delivery rules)*
  - 4. Claims coordination between carrier, vendor, and FEMA*
  - 5. Vendor oversight and reporting overhead*
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In claims operations, document intelligence supports automation of intake, classification, and summarization, reducing rework during FEMA audits, appeals, and quality reviews.

Together, these practices allow flood carriers to manage expenses by improving execution discipline within the regulatory framework, supporting compliance, audit readiness, and operational efficiency without altering program requirements.

### HOMEOWNERS INSURANCE: EXPENSE CONTROL IN A HIGH-VOLUME, HIGH-VARIABILITY LINE

Homeowners insurance combines high transaction volume with underwriting complexity and exposure to catastrophe-driven volatility. Industry analysis indicates that expense escalation often occurs when operational treatment is not aligned with risk segmentation, resulting in manual handling of transactions that could otherwise be processed consistently with underwriting guidelines (Deloitte, 2024).

Carriers that align operational intensity with defined risk categories, while maintaining underwriting discipline and consumer protection standards, tend to experience more stable expense outcomes over time (AM Best, 2025).

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*In homeowners insurance operations, expense concentrates in:*

- 1. Submission triage and underwriting referrals*
  - 2. Policy servicing activity*
  - 3. Renewal processing*
  - 4. Claims administration during catastrophe events*
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#### **The hidden cost driver: volume without segmentation**

When low-risk, standard policies are processed using the same operational pathways as borderline or complex risks, underwriting and service teams incur unnecessary manual effort, cycle times increase, and staffing pressure intensifies. Expense management in homeowners insurance is, therefore, most effective when processing intensity reflects risk characteristics rather than volume alone.

#### **High-impact homeowners insurance expense reduction strategies**

High-impact approaches focus on operational segmentation across the policy lifecycle. Segmentation-first underwriting establishes distinct handling paths for clean, review, and complex risks, enabling straight-through processing for low-

complexity policies while reserving underwriter attention for cases that require judgment.

Automated renewal intelligence further supports expense control by identifying policies that do not warrant re-underwriting, allowing underwriters to concentrate on material risk changes. Inspection orchestration reduces administrative burden by automating inspection ordering, tracking, and exception handling, eliminating manual follow-up loops.

During catastrophe events, CAT-ready claims workflows support scalable operations through predefined surge processes, automated claim triage and communications, and governed vendor-assignment rules that help control leakage.

Together, these practices allow homeowners carriers to manage expenses by matching operational effort to risk, improving efficiency and predictability without compromising underwriting integrity or consumer protections.

### SPECIALTY INSURANCE: EXPENSE CONTROL THROUGH PRECISION AND REPEATABILITY

Specialty insurance relies on deep expertise and professional judgment, but industry research indicates that a meaningful share of operating expense in specialty operations is driven not by risk

evaluation itself, but by the administrative and preparatory work that surrounds it (McKinsey & Company, 2025). When highly skilled underwriting and claims resources spend significant time gathering information, normalizing submissions, reviewing documentation, or managing routine communications, operating costs increase without a corresponding improvement in risk outcomes.

**The hidden cost driver: administrative use of expertise**

Expense management in specialty lines is most effective when expert judgment is preserved for risk assessment and decision-making, while administrative and preparatory activities are supported through intentional process design and technology. This requires shifting routine work away from bespoke handling and toward repeatable, governed execution.

**High-impact specialty insurance expense reduction strategies**

High-impact approaches in specialty operations focus on improving precision and repeatability rather than reducing expertise. Pre-underwriting intelligence supports this shift by automating data enrichment and producing structured submission summaries, reducing the time experts spend “figuring out the risk” before meaningful analysis begins.

Configurable policy frameworks further reduce friction by standardizing policy language where appropriate and limiting true customization to defined and governed scenarios. AI-assisted underwriting and claims support can then be applied to summarize complex documents, surface anomalies or risk indicators, and draft routine communications and notes, allowing experts to focus on interpretation rather than preparation. Finally, broker workflow alignment reinforces these gains by enforcing submission standards and reducing back-and-forth negotiation loops that contribute to rework and delay.

Together, these practices enable specialty insurers to manage expenses by leveraging expert capacity more effectively, supporting both operational efficiency and underwriting quality without diminishing the role of specialized judgment.

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*Highly skilled underwriters and claims professionals often spend 30–50% of their time on data gathering, document review, status updates, and repetitive communications. This is expensive talent misallocation.*

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**STRATEGY ONE: MAKE STRAIGHT-THROUGH PROCESSING THE DEFAULT**

Apply straight-through processing within a defined operating model so routine underwriting and servicing activities are handled consistently, while human judgment is reserved for cases that require review, escalation, or discretion.

## RATIONALE

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*According to Deloitte's global insurance outlook, carriers that redesigned workflows around STP consistently achieved lower per-policy servicing costs, faster cycle times, and improved staff utilization*

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Industry research consistently emphasizes that technology and automation support expense management most effectively when applied within a clearly defined operating model and governance framework rather than as standalone productivity tools (McKinsey & Company, 2025; Bain & Company, 2024).

High-value applications tend to involve rules-based processing, document-intensive workflows, and standardized transactions with clear escalation paths. At the same time, regulatory guidance and industry best practices underscore the importance of maintaining human oversight, auditability, documented decision logic, alignment with underwriting

guidelines, and compliance with applicable standards.

Within this context, automation and artificial intelligence are best understood as supporting mechanisms that reinforce consistency and efficiency, rather than substitutes for underwriting judgment or regulatory accountability.

## ACTION

Design and implement straight-through processing so that clean, well-defined risks flow from quote to bind to issue without manual intervention, while routine servicing transactions are completed through standardized processes and exceptions are explicitly identified for review.

## OPERATIONAL FOCUS

Straight-through processing is most effective for predictable, rules-driven activities such as submission intake and eligibility validation, low-complexity underwriting decisions, policy issuance and document delivery, and routine endorsements and renewals. By clearly defining what qualifies for automated processing and what requires human involvement, carriers reduce unnecessary manual effort while preserving underwriting integrity.

## MEASUREMENT AND OVERSIGHT

The effectiveness of straight-through processing initiatives is typically evaluated by examining the proportion of submissions processed without manual touch, the average number of touches required per policy lifecycle event, the elapsed time from quote to bind, and the utilization of underwriting and customer service resources. These measures support ongoing monitoring and refinement while maintaining transparency and governance.

## EXPECTED OPERATIONAL OUTCOMES

When applied with discipline, straight-through processing reduces administrative effort, shortens cycle times, makes them more predictable, improves the allocation of underwriting and service resources, and delivers more consistent operational outcomes without altering underwriting standards or compliance requirements.

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## STRATEGY TWO: REDESIGN DISTRIBUTION WORKFLOWS TO REDUCE FRICTION

Reduce internal operating expense by intentionally designing distribution and agent workflows so routine submissions, quotes, and policy changes are processed consistently, while exceptions are clearly defined, measured, and monitored without altering compensation models or underwriting standards.

### RATIONALE

Across lines of business, industry analysis indicates that sustainable expense management is most closely associated with intentional process design rather than episodic cost-cutting measures (Deloitte, 2024). Distribution costs are often viewed as fixed due to commission structures; however, internal operating expenses frequently arise from distribution inefficiencies, including rework, manual data handling, unclear submission standards, and high servicing volume.

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*Cost leaks occur where re-keying agent data into carrier systems, back-and-forth clarification on submissions, re-quoting due to late eligibility findings, and high service volume from unclear documents or billing.*

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Research from Bain & Company indicates that carriers embedding automation and decision support directly into agent-facing workflows experience measurable reductions in internal servicing effort without reducing commissions, underscoring the role of workflow design rather than compensation changes in expense outcomes.

### ACTION

Design and implement standardized agent and distribution workflows that enforce data standards, support routine transactions through consistent processes, and isolate exceptions for focused review and oversight.

### OPERATIONAL FOCUS

Operational focus in distribution redesign centers on establishing clearly defined standard workflows for submissions, quoting, and policy servicing so routine transactions are handled consistently across channels. Explicit exception criteria and referral thresholds are defined to distinguish standard business from cases requiring additional review.

Decision support and automation are embedded directly into agent-facing tools to guide submissions and reduce back-and-forth clarification, while duplicate data entry and manual handoffs between systems or teams are minimized through standardized integration and data requirements. Workflow performance is supported by ongoing monitoring using defined performance measures to identify friction, rework, and exception drivers.

### MEASUREMENT AND OVERSIGHT

The effectiveness of redesigned distribution workflows is evaluated through measures that reflect internal effort and operational predictability rather than compensation outcomes. Common indicators include the number of manual touches required per submission or policy transaction, the volume of agent and customer service inquiries related to distribution activity, the elapsed time from quote to bind, and the frequency and causes of workflow exceptions. These measures support ongoing oversight and refinement of distribution processes while maintaining alignment with underwriting standards, compensation structures, and regulatory expectations.

### EXPECTED OPERATIONAL OUTCOMES

Across lines of business, industry analysis suggests that sustainable expense management is most closely associated with intentional process design, rather than episodic cost-cutting measures (Deloitte, 2024). This approach aligns operational efficiency with compliance, quality, and service objectives.

Carriers that apply this approach typically experience fewer touches, fewer calls, and faster binding. The strategy is to reduce internal expenses by intentionally designing agent and distribution workflows so standard submissions, quotes, and policy changes are processed consistently, while exceptions are clearly defined, measured, and monitored.

This shifts cost reduction and sustainable operational discipline, improving efficiency without altering compensation models or underwriting standards.

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### STRATEGY THREE: REDUCE CLAIMS HANDLING COST WITHOUT INCREASING RISK

Improve claims handling efficiency by redesigning claims workflows to better align operational effort, tools, and oversight with claim complexity, while maintaining established claims standards and risk management practices.

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*Industry data from AM Best highlights that administrative claims costs and loss adjustment expenses significantly influence underwriting results, even when loss severity rises.*

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#### RATIONALE

While indemnity costs are primarily driven by loss exposure and external factors, claims workflow design, documentation practices, vendor management, and escalation protocols more directly influence handling expenses. Industry analysis indicates that administrative burden, rework, and inconsistent claim routing contribute to higher handling costs and operational variability.

Sustainable improvement in claims expenses is most often associated with changes to the operating model, rather than isolated automation or staffing adjustments.

#### ACTION

Implement structured claim intake and workflow segmentation to route routine claims through standardized processes and escalate complex claims using defined review, oversight, and escalation protocols.

#### OPERATIONAL FOCUS

Operational focus in claims redesign begins with defining claim complexity and routing criteria at first notice of loss, ensuring claims are directed to the appropriate handling path from the outset. Routine claims workflows are standardized to reduce administrative variation, while clear escalation and oversight protocols are established for complex, severe, or litigated claims.

Adjusters are supported through document ingestion, summarization, and task automation that reduces administrative burden without altering claims standards or settlement practices. Vendor performance is monitored using defined performance measures to promote consistency, accountability, and early identification of handling issues.

## MEASUREMENT AND OVERSIGHT

The effectiveness of redesigned claims workflows is evaluated using measures of effort, cycle time, and operational consistency, rather than claim outcomes. Common indicators include administrative effort per claim, cycle time by claim segment, the frequency and causes of escalations, and vendor performance against established service and quality measures. These indicators support ongoing monitoring and refinement of claims operations while maintaining alignment with established claims practices, regulatory expectations, and risk management standards.

## EXPECTED OPERATIONAL OUTCOMES

Industry research indicates that claims organizations achieve more sustainable expense outcomes when automation is paired with operating-model redesign rather than applied as a standalone productivity initiative (McKinsey & Company, 2025). Claims organizations that apply this approach commonly experience reduced administrative handling effort per claim, more consistent cycle times across claim segments, improved allocation of adjuster expertise to higher-complexity cases, greater predictability in claim-handling expenses, and sustained efficiency improvements without changes to settlement standards or claimant outcomes.

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## STRATEGY FOUR: MODERNIZE CORE SYSTEMS TO REDUCE “CHANGE TAX”

Reduce structural operating expenses by modernizing core systems that prioritize configurability, standardization, and governed change over one-off customization.

### RATIONALE

Legacy core systems often drive persistent operating expenses through high maintenance requirements, vendor dependence, extended development cycles, fragile integrations, and increased quality-assurance and exception-handling effort. These structural factors increase the time, cost, and risk associated with implementing product, regulatory, and operational changes and can limit an organization’s ability to scale efficiently.

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*If change remains expensive, expense ratio will creep back up—even after cost-cutting initiatives*

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Modernization in this context does not imply wholesale system replacement for its own sake. Instead, it reflects a shift toward operating models that emphasize configuration over customization, the reuse of workflows and decision rules, API-first integration patterns, and disciplined change management for product and regulatory updates.

### ACTION

Establish a governed modernization approach that reduces the cost and risk of change by standardizing how products, rules, and integrations are configured, tested, and deployed across lines of business, while maintaining alignment with underwriting, compliance, and operational standards.

### OPERATIONAL FOCUS

Operational focus in core system modernization centers on replacing bespoke logic with configurable rules and reusable workflows, limiting customization to defined and governed use

cases, and standardizing integration patterns to reduce rework and integration fragility. Quality assurance and release processes are aligned with reusable components and standardized change paths rather than individual, one-off modifications, supporting more predictable, controlled deployments.

### MEASUREMENT AND OVERSIGHT

The effectiveness of modernization efforts is evaluated using measures that reflect the cost, effort, and predictability of change rather than relying on system-replacement milestones. Common indicators include ongoing IT run costs, the volume and causes of operational exceptions linked to system changes, release cycle time, and the frequency of post-deployment remediation. These measures support ongoing oversight and help ensure modernization efforts remain aligned with governance, compliance, and operational objectives.

### EXPECTED OPERATIONAL OUTCOMES

Carriers that modernize with discipline commonly experience reduced ongoing IT run costs, lower operational support and exception-handling burden, shorter, more predictable change cycles, and improved alignment among technology, operations, and compliance functions. Over time, these outcomes support more sustainable expense management and greater organizational agility without increasing operational or regulatory risk.

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## STRATEGY FIVE: DEPLOY AI WHERE WORK IS DOCUMENT-HEAVY AND RULES-DRIVEN

Apply artificial intelligence to support operational efficiency by embedding it in well-defined, rules-based workflows for document-intensive, repeatable tasks subject to clear governance, while maintaining human oversight, auditability, and compliance with underwriting and consumer protection standards.

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*Automation and artificial intelligence are supporting tools, not substitutes.*

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### RATIONALE

Industry research consistently emphasizes that the use of automation and artificial intelligence in insurance operations should be accompanied by appropriate governance, documentation, auditability, and human oversight to ensure alignment with regulatory, underwriting, and consumer protection requirements. Both McKinsey & Company and

Bain & Company note that AI delivers the strongest and most sustainable operational value when it is embedded into existing workflows and operating models, rather than applied as a standalone layer.

AI has demonstrated the greatest effectiveness in operational contexts involving reading, summarizing, classifying, and checking information against defined rules. In insurance operations, this commonly includes activities such as submission triage and underwriting summaries, policy servicing correspondence, claims documentation and invoice review, and compliance evidence gathering.

**ACTION**

Embed artificial intelligence into defined underwriting, servicing, claims, and compliance workflows to support document handling and rules-based analysis, while ensuring that decision authority, escalation paths, and accountability remain clearly defined and governed.

**OPERATIONAL FOCUS**

The operational focus for AI-enabled efficiency centers on identifying document-intensive, rules-driven tasks within existing workflows and integrating AI capabilities directly into those processes. AI is applied to support information intake, summarization, and validation, while human users retain responsibility for review, judgment, and final decision-making. Governance mechanisms are established to ensure transparency of AI-supported outputs, traceability of decisions, and alignment with underwriting and compliance standards.

**MEASUREMENT AND OVERSIGHT**

The effectiveness of AI-supported workflows is evaluated using measures that reflect efficiency, quality, and compliance rather than automation volume alone. Common indicators include time saved per transaction, quality assurance error rates, escalation frequency following AI-supported processing, and the identification of compliance exceptions. These measures support ongoing oversight and refinement to ensure AI continues to operate within defined governance parameters and delivers sustainable operational benefits.

**EXPECTED OPERATIONAL OUTCOMES**

When applied within governed, workflow-based operating models, artificial intelligence supports reduced administrative effort, improved consistency in document handling, more timely identification of exceptions, and enhanced operational transparency. Over time, these outcomes contribute to sustainable efficiency improvements without displacing underwriting judgment, weakening controls, or increasing regulatory risk.

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**SUSTAINABLE COST REDUCTION REQUIRES DESIGNED WORK**

One-time automation initiatives and episodic staff reductions rarely deliver lasting improvement in operating expenses. Sustainable expense reduction is more closely associated with clear process ownership, intentionally designed workflows, disciplined measurement, and continuous refinement over time. When these elements are present, cost control becomes an operating philosophy embedded in day-to-day execution rather than a periodic budget exercise.

Across flood, homeowners, and specialty lines, industry experience suggests a consistent lesson: expense outcomes improve when work is deliberately designed, not when effort is intensified. Designed work establishes a clear, predictable standard path for routine activities, makes exceptions visible and manageable, enables measurement of friction and rework, and supports continuous improvement based on observed performance.

Taken together, this approach aligns operations, technology, compliance, and vendor oversight into a unified discipline for managing expenses in a sustainable and regulator-aligned manner.

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*Expense outcomes improve when work is designed and governed as a repeatable process, rather than addressed through isolated cost-reduction initiatives.*

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## HOW SOLSTICE ENABLES MULTI-LINE EXPENSE DISCIPLINE

Platforms such as Equinox™ by Solstice Innovations are designed to support configurable workflows, documentation standards, and operational visibility, helping carriers execute their chosen operating models more consistently across lines of business. Equinox™ is built on the principle that intentionally designed work supports more efficient, predictable operations.

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*Consistent workflows and exception-based processing support scalable operations without linear increases in staffing.*

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By enabling configurable, rules-driven workflows across underwriting, policy lifecycle, and claims operations, Equinox™ supports increased straight-through processing, reduced rework and exception volume, improved cycle times and service quality, and the ability to scale operations without linear increases in staffing. This approach allows

carriers to apply a consistent expense-management philosophy across multiple lines of business while respecting the unique regulatory, underwriting, and operational requirements of each.

Across flood and WYO programs, homeowners insurance, and specialty operations, Equinox™ supports configurable, rules-driven workflows; exception-based processing; standardized document generation and delivery; API-first integration patterns that reduce rekeying; and ongoing operational visibility to support continuous improvement. Together, these capabilities help carriers manage operating expenses in a disciplined manner without compromising compliance, underwriting integrity, or service quality.

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## CONCLUSION: THE EXPENSE OPPORTUNITY

While losses and loss adjustment expenses remain the largest component of insurance costs, statutory regulators, rating agencies, and industry analysts consistently identify underwriting and operating expenses as the cost category most directly influenced by carrier operating decisions (NAIC, 2024; AM Best, 2025).

Operational improvement initiatives that support more efficient, sustainable expense management also improve document timelines, reduce follow-up inquiries, and enable more efficient downstream claims handling.

As a result, many insurers focus operational improvement initiatives on process design, workflow consistency, and supporting technology, while continuing to manage loss exposure through underwriting discipline and risk selection.

This approach reflects a balanced, regulator-aligned view of expense management as an element of sound insurance operations rather than a substitute for prudent risk management.

While losses and loss adjustment expenses remain the largest component of insurance costs, statutory regulators, rating agencies, and industry analysts consistently identify underwriting and operating expenses as the cost category most directly influenced by carrier operating decisions. As a result, many insurers focus expense-management efforts on process design, workflow consistency, and operational governance.

Across flood, homeowners, and specialty lines, industry analysis suggests that carrier decisions more directly influence underwriting and operating expenses than loss costs. As a result, many insurers focus operational improvement initiatives on process design, workflow consistency, and supporting technology, while continuing to manage loss exposure through underwriting discipline and risk selection.

Across all lines of business, industry analysis indicates that operational decisions influence expense outcomes, unplanned rework contributes to higher costs and variability, and intentionally designed work supports more consistent and sustainable operations. Flood, homeowners, and specialty carriers that embrace this discipline are better positioned to scale efficiently, adapt to changing conditions, and perform more consistently across market cycles.

For insurance carriers facing volatility, competition, and regulatory pressure, expense ratio remains the most reliable lever for improving profitability.

The path forward is intentional operational design.

Carriers that treat expense as a strategic discipline—not a finance exercise—will outperform peers regardless of market cycles.

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*While losses and loss adjustment expenses remain the largest component of insurance costs, regulators, rating agencies, and industry analysts consistently identify underwriting and operating expenses as more directly influenced by carrier operating decisions. As a result, many insurers focus on process design, workflow consistency, and operational governance while continuing to manage loss exposure through underwriting discipline and risk selection.*

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