KPMG

Intelligent insurance

A blueprint for creating value through AI-driven transformation

AI is unlocking new sources of sustainable value for Insurers

AI is evolving Customer Experience

57% say AI is central to products and service offerings

Insurers have high expectations

85% believe that insurers that embrace AI will developa competitive edge over those who do not

66% expect a moderate to very high ROI

But the pressure is on to prove ROI

64% face significant pressure from shareholders to show immediate ROI on AI investment

AI spending will increase significantly

67% will increase the percentage of global budget spent on AI

Of which

66% Say up to 20%

e

34% Say 20% plus

AI goals are clear

62% are seeking to improve efficiency

74% are seeking growth

The benefits are flowing through

66% have improved efficiency

76% have seen a moderate to very high ROI from their investments so far

> *AI is more than a technology investment for insurers — it is a transformative catalyst for redefining strategy, culture and operations.*

The main barriers identified by Insurers

For many insurance leaders, the primary concern is whether regulatory frameworks and risk management practices can evolve quickly enough to keep pace with advancing technology

Some of the main barriers

Building trust is a major concern—and priority

46% have **reservations about whether AI can be trusted**

25% fully **trust AI within their organizations**

The AI vision is still being formed

62% are only **partially aligned to an AI vision**

19% have a **fully integrated plan linking AI to goals at all levels**

Data readiness remains a challenge

72% **identify data as their primary challenge**

34% **achieve system-level data integration**

The rapid evolution of technology fuels inertia

75% prefer to **wait for the AI landscape to stabilize** before making significant investments

Fear of Losing Control

58% feel **overwhelmed by the volume of AI-related information and hype**

56% express **concerns about the level of control AI technology providers** might exert over their business.

Perception of AI as a threat to jobs

Overestimated perception of AI's potential

Inadequate skills for AI development and use

Lack of alignment among stakeholders on delivery

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The journey to become an intelligent Insurer: phases of the AI Journey

Enable

Build AI foundations: appoint leadership, define strategy, identify high-value use cases*, boost AI literacy, and launch pilots with cloud and pre-trained models.*

- Claims automation
- Underwriting precision
- Fraud detection

Embed

Integrate AI into workflows: redesign and reskill workforce, deploy AI with focus on ethics and security*, supported by tech modernization and enterprise-wide data*

- Customer journeys
- Dynamic risk modeling
- Data privacy
- Autonomous engagement

Evolve

Transform business models: *leverage AI and frontier tech to tackle sector-wide challenges, create integrated ecosystems,* ***ensure trust and ethics, and foster a value-driven, innovative future***

- Ecosystem platforms
- Predictive prevention
- New product categories

The first phase: Enable people with AI

The Enable phase is about enabling people and establishing the foundations for AI adoption. This phase focuses on creating awareness, experimentation and alignment to ensure the organization is prepared for broader AI integration.

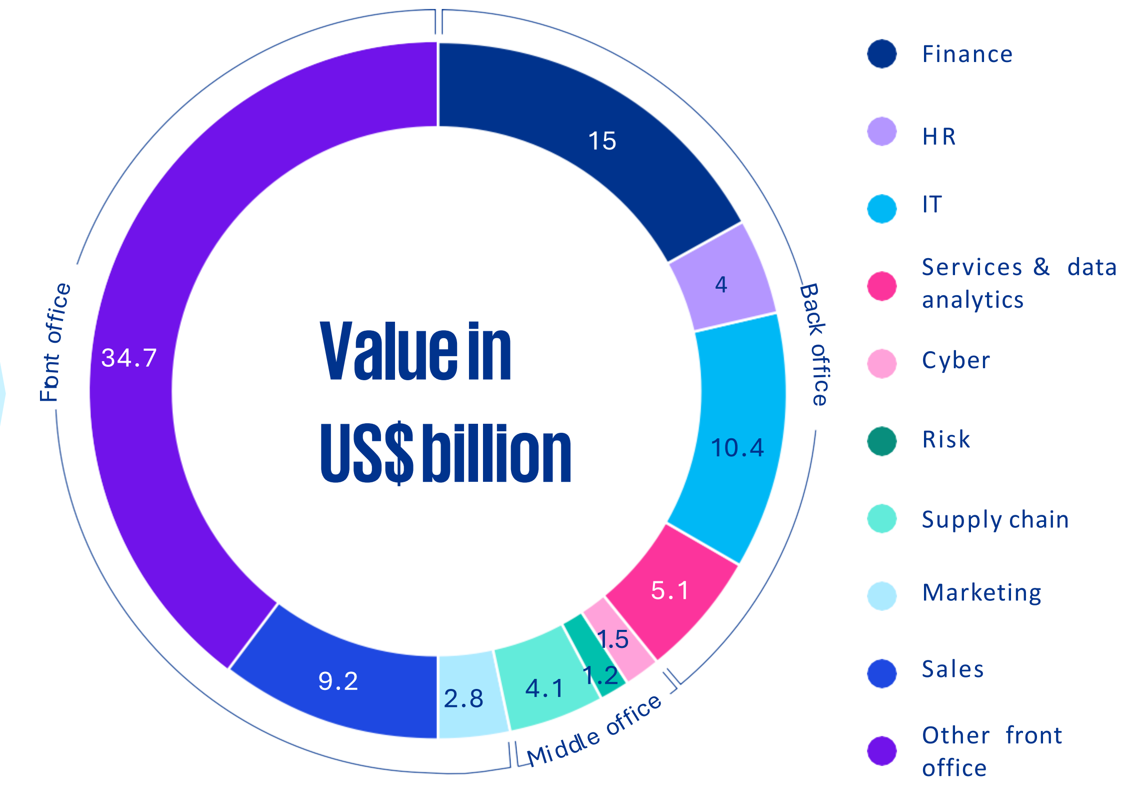
With AI the key objective, the first phase is to **identify low-hanging fruit where AI can deliver quick, measurable wins by automating routine tasks, streamlining workflows and reducing manual labor.**

At the **enterprise level**, this includes **appointing a responsible executive, developing an AI strategy, identifying high-value use cases**, increasing AI literacy, aligning with regulations and introducing ethical guardrails.

At the **function level,** businesses **pilot AI solutions across various areas, building skills, fostering innovation and learning** from these initial implementations.

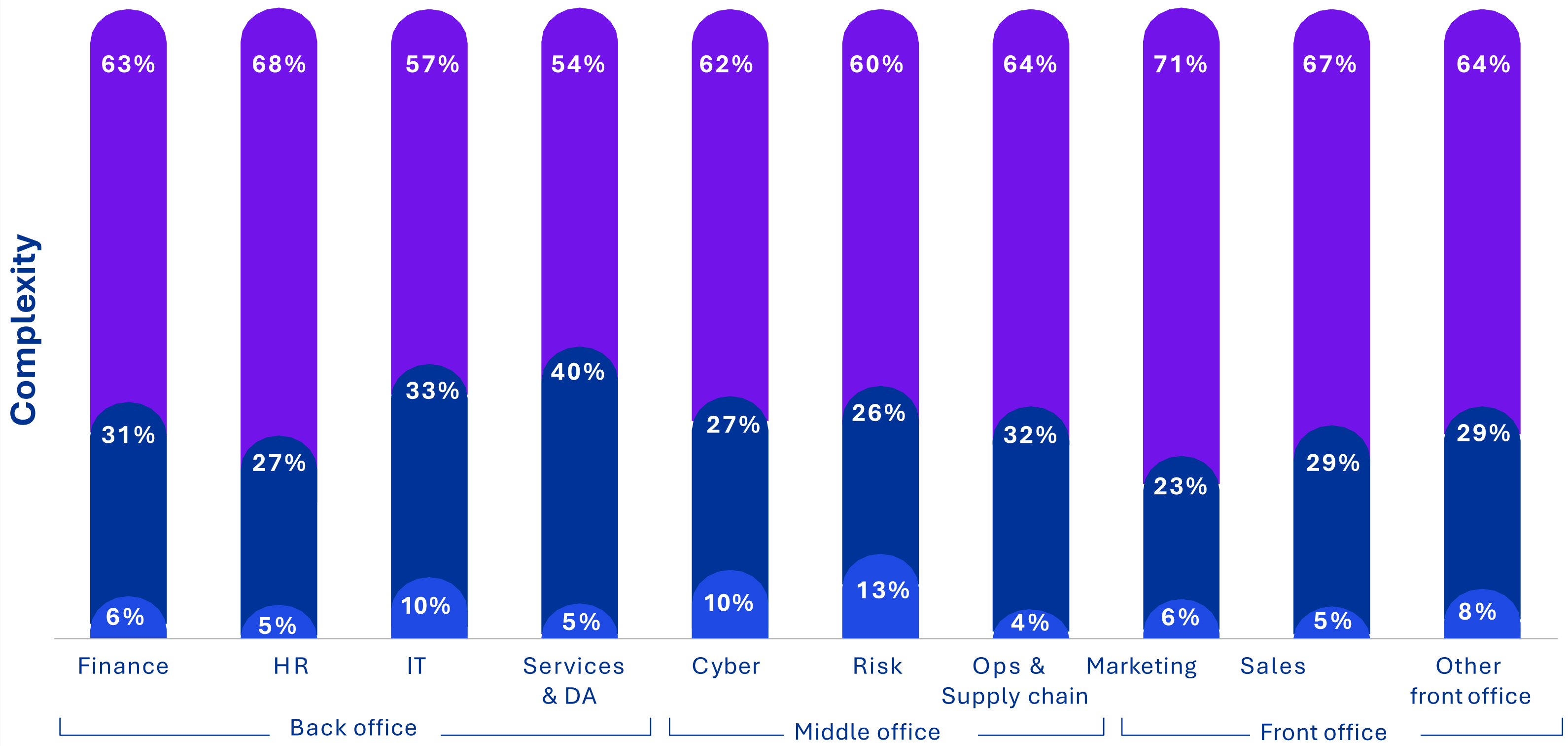
At the **foundation level**, organizations leverage cloud **platforms and pre-trained AI models from strategic providers with limited customization.**

Gen AI opportunity by function



Source: Quantifying the GenAI opportunity, KPMG in the US, February 2025

Gen AI opportunity, task complexity breakdown



Low complexity

Based on tasks that are relatively simple and can be effectively augmented using readily available Gen AI tools such as Copilot, ChatGPT and other out-of-the-box technologies.

Medium complexity

Based on tasks that have potential for Gen AI augmentation but **may necessitate the development of more** integrated and customized solutions.

High complexity

Based on tasks that have potential for Gen AI augmentation but will likely **require the creation of integrated and sophisticated solutions**, as well as **comprehensive governance and change management** to enable adoption.

Top 10 areas of opportunity

01 Virtual insurance advisors

02 Customer relationship management

03 Regulatory compliance risk analysis

04 Performance optimization

05 Data analysis

06 Claims processing automation

07 Sales enablement

08 Financial forecasting

09 Investment portfolio management

10 Product performance analytics

Source: Quantifying the GenAI opportunity, KPMG in the US, February 2025

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The second phase: Embedding AI in the flow of work

The Embed phase integrates AI into end-to-end workflows, products, services and value streams, transforming how work is performed across the enterprise and delivering greater value. This phase emphasizes **ethics, inclusion, safety, security and trust**

In this phase, **AI is not just a tool for cost savings**; it becomes central to **driving business growth, improving the customer experience**, generating **new revenue streams** and **improving the productivity of entire teams**

As AI becomes more deeply integrated into core functions, insurance **operating models are being redesigned to streamline end-to-end workflows and enhance customer outcomes**

This transformation shifts the focus from traditional, product-centric structures (e.g. auto, home or life insurance) to **value streams that cut across products and functions and address the holistic needs of the customer**

Percentage who say their organization wants to achieve the following, in the second phase through using AI (top 5)

Which of the following goals does your organization want to achieve through using AI? (Maximum 5) Growth AI maturity (n=153)

Barriers to realizing value

Embed

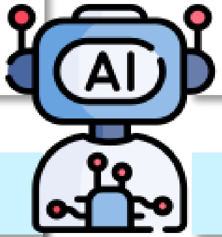
To unlock AI's full potential, insurers should address critical foundational activities early on, as failing to do so can stall progress through the phases of adoption

Managing strategy implementation

- Difficulty in **scaling AI beyond isolated pilots**
- Requires **transformation of operating models, organizational structures, and leadership**
- Insurers must move **from product-based silos to customer-centric value streams** with new end-to-end workflows

Managing the risk

- **Technological and reputational risks** such as algorithmic bias, errors in claims automation, and cybersecurity vulnerabilities
- **Strong regulatory and compliance pressure**, especially on data privacy, ethical decision-making, and model transparency
- **Regulators increasingly demand explainability** and **fairness** in AI systems



Upskilling the workforce

- **Shortage of specialized AI skills** (e.g., model development, prompt engineering, solution design)
- **Traditional, risk-averse leadership styles** can hinder cross-functional collaboration and innovation
- **Requires structured training and reskilling programs**, clear career paths, and active employee engagement to build trust and reduce fears about job security.

The technology evolution

- **Significant investment needed** in advanced AI platforms, predictive analytics, and scalable cloud infrastructures
- **Existing IT priorities and legacy systems create delays and difficulties** in aligning budgets with AI roadmaps
- **As AI becomes embedded in processes, transparency and accountability become critical;** without strong governance frameworks, both employees and regulators may resist adoption

Evolve

The third phase: Evolving your ecosystem wih AI

The Evolve phase transforms enterprises to adapt to market disruptions, forming **new business models and ecosystems to solve larger, industry-wide problems.** Companies establish **ecosystems with customers, suppliers and governments,** orchestrated by AI to deliver seamless value

Paradigm Shift: From Resolution to Prevention

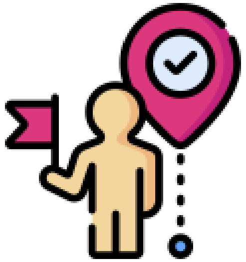
Traditionally, insurance focused on resolution — handling claims and mitigating losses after risks occurred. AI fundamentally transforms this model, **enabling insurers to move toward proactive risk prevention**

Predictive & Real-Time Capabilities

With advanced analytics, **IoT, and real-time monitoring, insurers can detect potential risks before they escalate.** For example, instead of processing water damage claims, AI-powered IoT devices can identify leaks early and trigger immediate action, avoiding major losses.

New Risk Categories & Customer Value

Emerging technologies such as self-driving cars shift liability from drivers to AI systems, **creating new risks like cyber liability and technology failures**. At the same time, **prevention-oriented insurance fosters stronger,** more valuable relationships with customers, moving beyond compensation to continuous protection.



It is only by successfully navigating these three phases that insurers can evolve into ecosystem enablers, embedding themselves into customers' daily lives and collaborating with partners across industries to create holistic solutions

Key Considerations for building flexible and responsive AI Adoption in Insurance

Key Action

Design an AI strategy that aligns with core competencies and unlocks value

- Define a unified AI vision and strategy
- Establish cross-functional collaboration
- Implement measurable objectives and key results (OKRs)

Build trust into the transformation road map

- Establish robust AI governance frameworks
- Embed ethical and bias-detection mechanisms
- Prioritize privacy by design
- Invest in security and resilience

Create sustainable technology and data infrastructure for AI adoption

- Invest in scalable and flexible infrastructure
- Establish comprehensive data management practices
- Focus on modular and interoperable solutions
- Create a balanced investment portfolio

Build a culture that uses AI to uplift human potential

- Foster transformational leadership
- Build an AI-literate workforce
- Address cultural resistance through change management
- Redefine roles and career pathways

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