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Generative AI
A CEO innovation mandate for insurers
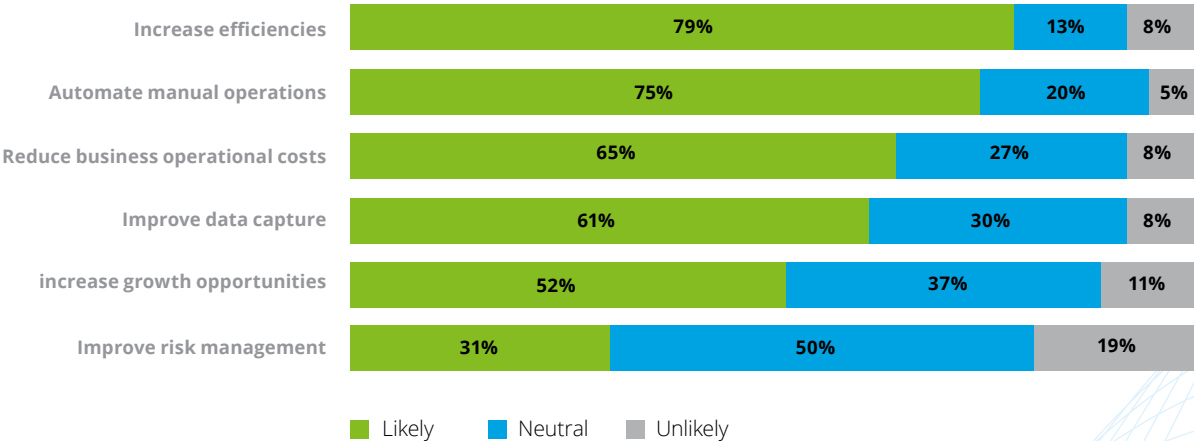
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Why a CEO innovation mandate is critical, and what role GenAI plays

The insurance industry has undergone significant transformation across its business operations in recent years. Traditional insurance business models have faced disruptive innovation, increased competition from agile InsurTechs and tech leaders offering insurance as a service, and changing customer expectations.[1] The goal of navigating these challenges while pursuing growth has been a key concern for insurance CEOs. To steer organizations successfully through this opportunity, while optimizing long-term shareholder value, CEOs have progressively focused on leveraging innovation opportunities enabled by next-gen tech such as generative artificial intelligence (GenAI).

GenAI is at the forefront of CEOs' enterprise innovation agenda, and rightly so. GenAI is no longer just hype in the market but a value-driven reality for CEOs and their enterprises. In our recent Fortune/Deloitte CEO Survey,[2] 79% of CEOs surveyed said that GenAI will change their businesses within three years. More insight from our study shows how CEOs are focusing on GenAI: 38% of those surveyed said their companies are trying out GenAI, while 34% reported limited use in production. Figure 1 shows how other stakeholders, such as shareholders, board members, and employees, also recognized the value of GenAI.

The results of our survey reinforce the idea that GenAI is more than a "nice to have" for insurers; it's a "must have" capability required for incumbent players to catalyze transformation efforts across the enterprise. It will introduce transformative capabilities to the industry, offering innovative solutions across the insurance value chain—from customer service, sales, and marketing at the front end to underwriting and claims processing at the back end. These value-driven opportunity areas will have a significant and tangible impact on insurers' bottom line, from growth to cost savings. Insurance CEOs can realize this value by taking targeted steps toward activation and scaling. Having a clear vision and strategy, setting up mature operating and governance models, and acquiring/developing the right talent at the right time will be key steps on their journey. To make the transformation possible, CEOs have a unique opportunity to meet this innovation mandate by infusing GenAI into their overall business strategy and activating required cultural shifts.

Figure 1: Improvements CEOs expect from GenAI

	Likely	Neutral	Unlikely
Increase efficiencies	79%	13%	8%
Automate manual operations	75%	20%	5%
Reduce business operational costs	65%	27%	8%
Improve data capture	61%	30%	8%
increase growth opportunities	52%	37%	11%
Improve risk management	31%	50%	19%

How GenAI can generate bottom-line value

GenAI can create value for insurers in three ways: increasing profitable growth, achieving cost savings and efficiency, and improving operational intelligence and effectiveness. More information on these growth areas can be found in our recent white paper on the topic titled "Implications of generative AI for insurance." Moreover, our recent CEO survey confirmed the above value-creation perspectives by CEOs: 91% of respondents said they expect GenAI to enhance their organizations' productivity with an estimated cost savings of 40% to 60% expected[3]— mainly coming from productivity improvements in customer service. These benefits can be achieved through key value-driven applications of GenAI for insurers.

Insurers may realize immediate value, in terms of performance and efficiency, from select GenAI applications, including:

- Knowledge assistants for agents—potentially doubling their productivity in tasks like answering insurance-related queries.

- Best practices for empathetic customer care, which may boost customer satisfaction, increase customer retention, and open cross-selling opportunities.

- Automated claims processing from accident report generation and image assessments using GenAI models, which could also reduce costs for assessors.

- Automated pricing strategy readjustments for insurance products based on competitor analysis, which may increase cross-selling opportunities and enable hyper-personalization of policies.

The overall result is an industry ready to leverage the transformative potential of GenAI in optimizing operational efficiency and driving strategic business growth.

How modern insurance carriers are leveraging GenAI: What CEOs need to know

InsurTechs and technology providers are operationalizing GenAI capabilities across the insurance value chain. Many insurers may have considered InsurTechs a threat, but the reality is most startups have been launched to support, rather than displace, incumbent carriers. Insurers can tap into a much more diverse and entrepreneurial ecosystem for innovative ideas and solutions. Most InsurTechs' maturing GenAI capabilities can be viewed

as innovation providers rather than potential competitive threats. By reframing this view of InsurTechs, CEOs can facilitate a rich and valuable partnership that will allow their organizations to access GenAI capabilities that are not matured within their respective organizations.

Figure 2 provides examples of InsurTechs revolutionizing the journey across the value chain.

Figure 2: InsurTech journey examples

Insurance value chain component	Value incumbent insurance carriers can achieve
Product design	A leading InsurTech focused on cybersecurity vulnerabilities is leveraging GenAI to better understand coverage contingencies and ways to resolve cybersecurity issues, as well as ways to answer questions about cybersecurity and cyber policy coverage options.
Marketing	A life insurance products platform has developed an AI engine, supercharged by GenAI technology, to create unique and personalized client communications based on multiple data sources and previous interactions with clients. By evaluating this data, the platform will generate relevant and timely content that agents can utilize to enhance customer engagement and sales.
Distribution	A digital marketplace for commercial insurance introduced GPT technology to elevate the broker experience by improving efficiency and effectiveness, thus greatly increasing their book of business. It strengthens a broker's ability to map out carrier risk appetite and provide data-driven recommendations to find the right market for every risk.
Operations - customer support	A leading InsurTech platform leverages cognitive services and process automation to provide instant answers across multiple domains of customer interaction in a multitude of languages, enhancing customer experience while reducing the high volume of calls live agents and relevant personnel typically receive.
Operations - claims automation	A leading claims platform has introduced a GenAI-powered-powered FNOL plugin that promises to revolutionize insurance claims processes by eliminating language barriers and providing more uniformity in customer experiences.
Underwriting	A leading platform for P&C insurance utilizes a GPT-based virtual assistant that can swiftly analyze thousands of geospatial data points, including imagery-based machine learning attributes, and provide insights on a structure's condition, associated risks, or details about the area, such as crime rates or local businesses, to accelerate underwriting decisions.

Insurance CEOs' unique role in enabling the three As: Activation, adoption, and acceleration

To better capture GenAI value across the enterprise and enable activation, adoption, and acceleration, insurance CEOs can play a vital role in four key areas: 1) defining the vision and strategic intent; 2) educating, energizing, and mobilizing the organization; 3) prioritizing business value opportunities; and 4) strategically partnering with innovators.

1. **Define vision and strategic intent**
   GenAI success at scale requires CEOs to define a strategy built from an integrated set of choices and anchored on business value generation. CEOs should focus on defining the enterprise vision, mission, and maturity goals, while also making key strategic choices that contribute to establishing a winning agenda. CEOs need to consider addressing key strategic questions, such as:

   • What is the enterprise's winning aspiration?

   • Where should the organization focus its investments to enable business value?

   • What capabilities require maturation to give rise to scalable value?

   • How should the enterprise culture evolve to enable scalable success?

   • What are the priority initiatives, and how can a test/learn and iterative approach be adopted?

   CEOs should find answers to these questions in collaboration with members of the C-suite (e.g., CIO, CTO, CDAO, CSO) and business line leaders. This will allow them to increase engagement and support, speed up adoption, and also enable long-term scalability.

2. **Educate, energize, and mobilize the team**
   The inherent complexity in implementing use cases/projects leveraging GenAI requires a cross-disciplinary team to guide, train, and govern the AI life cycle. To educate and energize employees, CEOs can facilitate internal and external campaigns and events showcasing capabilities, business use cases, success stories, and thought leadership sessions focused on the art of the possible.

   CEOs can also focus on creating cross-functional multidisciplinary stakeholder groups within the organization inclusive of business and technology leaders who can partner in identifying valuable use cases and design GenAI deployments. Additional measures such as standing up a center of excellence[4] to facilitate advanced training, coaching, and certification programs for employees will aid in enabling a future-ready GenAI organization.

3. **Prioritize business value opportunities[5]**
   Identify and prioritize the opportunities/use cases that enable value-centric competitive advantage, create the largest business impact, and are feasible to implement. CEOs should guide their organizations to consider the following three key dimensions as they prioritize the opportunity to invest:

   • The value the use case brings to customers—including improved customer experience, a product feature or service that meets a specific need, or new insights.

   • The potential impact on the business—including new revenue, sales cycle acceleration, improved productivity, reduced costs, enhance brand positioning, and strategic fit.

   • The feasibility of implementing the use case—including complexity, data availability, the costs and labor efforts required, safety risks, time to implement, and the maturity of the models.

4. **Strategically partner with innovators**
   It will be critical for insurers to assess potential GenAI solution providers and partners using a structured approach (including due diligence and proof-of-concept development) to define value-based solution partners. Navigating through the intricate pathways of GenAI, particularly in the context of the highly regulated and nuanced insurance sector, gives rise to several challenges that can be mitigated by aligning with the right technology partner. The deployment and management of GenAI entails not only a deep understanding of the technology itself but also an awareness of the regulatory, ethical, and data security nuances associated with its application in specific use cases within the insurance domain. A proficient AI technology partner, with a wealth of expertise and experience across varied implementations, can help insurers navigate these complexities, ensuring the AI applications are compliant, secure, and effectively tailored to meet specific organizational objectives.

What insurance CEOs should understand about the impacts of GenAI

In navigating the evolving landscape of GenAI, insurance CEOs are tasked with a strategic imperative to assess its impact across the enterprise in three key areas: technology and security, operating models, and talent.

1. **Technology and security:** GenAI's exponential growth in the market has forced organizations to revisit their foundational systems and assess the gaps in their current technology and security landscape to make the organization AI-ready. While organizations are still in the process of migrating to cloud-based models, the fast-paced evolution of AI use cases has led to transformative efforts in the space. Key technology enablement considerations for CEOs to understand span from overall organizational readiness (understanding and evaluating the existing infrastructure, data capabilities, and level of AI expertise within the organization will be imperative to understand) to strategic build vs. buy decisions (GenAI solutions and models have varying levels of customization, which underscore the need to evaluate build vs. buy).

2. **Operating model:** While AI builds on existing data and analytics, it introduces new capability needs that will inform an evolving operating model. Operating model capability maturation requirements will need to be addressed, and CEOs will have a key role in helping lead their executive teams on this effort. Potential maturity capabilities may include oversight areas such as AI governance (see our latest white paper titled "Is your AI center of excellence still a center of experimentation?,"[6]) to solution delivery areas inclusive of business partnering, data, and prompt engineering. To unlock the full value of AI, matured capabilities and well-coordinated risk and governance models will be imperative.

3. **Talent and skill:** GenAI will affect how work is organized and what skills are needed to enable desired outcomes. Specifically, CEOs have a unique opportunity to help their organizations understand that GenAI is not a job replacer; rather, it will affect the tasks and skills insurance organizations use to get the job done. Individuals in traditional business and strategy roles will be expected to have some degree of proficiency to drive AI strategy and provide domain expertise while defining and building AI solutions. Similarly, individuals in technical roles will be required to be strategic evaluators of GenAI solutions and possess emotional intelligence to understand human needs and emotions, and the preferences of users and stakeholders. CEOs will be uniquely positioned to help their organizations support human and GenAI teams across the enterprise and unlock the value of their talent.

As insurers stand at the precipice of a transformative era shaped by GenAI, they need to act now to succeed in it. CEOs have a pivotal role in adopting advanced technologies, creating a culture of continuous learning, and adjusting operational models. By making GenAI a core part of their innovation strategy, insurance CEOs can become leaders in the evolving insurance innovation landscape. CEOs will need to make determined choices, act quickly but purposefully, and invest wisely to keep a competitive advantage in the market.

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Endnotes

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