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Transforming customer experience in insurance

Harnessing the power of Generative AI

Contents

Changing insurance customer experience

Customer experience is undergoing a seismic shift, driven by the increasing frequency of catastrophic losses, rising rate changes, and heightened customer expectations for personalized, omnichannel interactions.

The stakes have never been higher, and the moments that matter are amplifying and becoming more critical and frequent. Conventional approaches are falling short; the insurance industry stands at a critical crossroads where finding a new path to scale has become an imperative, not merely a choice. Not finding an answer will leave carriers with archaic customer experience and increased costs to provide it.

With multimodal advancements, Generative Artificial Intelligence (GenAI) has become the key to delivering modern, scalable, and highly personalized experiences that meet the demands of today's customers. Customers imagine a world in which every engagement with their insurance provider feels like a personalized, seamless experience crafted just for them. This vision is quickly becoming a reality with the deployment of Generative AI. From delivering personalized policy recommendations that proactively meet customer needs to providing instant, individualized support, Generative AI is defining the new standards in customer engagement and delivering at scale across the insurance sector.

How GenAI enhances each interaction in the value chain

GenAI is setting new benchmarks in the insurance industry, elevating the customer experience, and creating "high touch" interactions for customers. Insurers leveraging GenAI capabilities to enable elevated experiences for their customers are focused on making well-thought-out investments aligned with their respective business strategies.[1]

Streamlined customer service operations with Generative AI is dramatically enhancing the quality of support and interactions. It is setting new standards for excellence in customer engagement as more people can have "high touch" experiences in the moments that matter.

Personalization has evolved to create hyper-customized customer interactions and insurance products, driven by real-time data analytics and machine learning, thereby boosting satisfaction and engagement to unprecedented levels. Every node on the journey can feel like a "path for one."
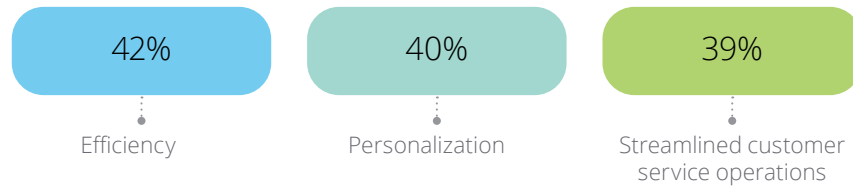
Efficiency/automation now not only streamlines policy underwriting and claims processing but also leverages intelligent algorithms to predict and preemptively address potential issues, significantly reducing processing times and human errors and improving operational efficiency across the value chain.

Let's examine some of the opportunities at a deeper level by subsector.
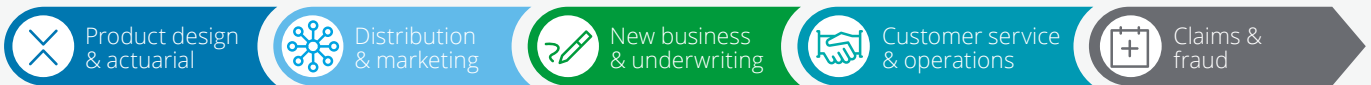
Figure 1. Generative AI investment areas[2] in customer experience within the insurance industry

Investments
Top areas of AI/GenAI investment in the insurance industry

42%	40%	39%
Efficiency	Personalization	Streamlined customer service operations

Insurance value chain

Product design & actuarial	Distribution & marketing	New business & underwriting	Customer service & operations	Claims & fraud
GenAI value				
Faster iterations, more innovative and hyper-personalized products	Improved targeting, personalized marketing, faster campaign optimization	Improved accuracy enables more precise risk pricing and better risk segmentation	24/7 availability, reduced costs, multiple language support, better customer experience	Reduced costs, faster claims processing, and improved fraud detection
GenAI use cases				
Policy personalization	Customized group plans	AI-based risk underwriting	Annuity snapshots	Streamlining First Notice of Loss
Product and pricing personalization	Agent assistance and customer education	Data insights curation	Pre-call journey summarization	Automation of claims processing
Policy simplification	Personalized outbound campaigns	Policy document analysis and creation	Automated interaction wrap-up	Real -time information on claim services
	Marketing content creation		Agent assist	Claims investigation and report generation

Property and Casualty

1. Streamlining First Notice of Loss
Key impact areas:
- Streamlined customer service operations
- Personalization

Generative AI can transform the First Notice of Loss stage from a cumbersome, error-prone process into a streamlined, customer-friendly experience. Large language models can understand and process the details provided by claimants in their own words, reducing the need for manual form filling. This not only speeds up the process but also minimizes errors associated with human data entry.

2. Automation of claims processing
Key impact area:
- Efficiency

Generative AI can revolutionize claims processing in the insurance sector by automating the evaluation and settlement phases, significantly reducing the turnaround time for claims resolution. By leveraging advanced algorithms, these systems can accurately assess claim validity and calculate settlements, offering a faster, more transparent claims experience for customers, thereby enhancing satisfaction and trust in the insurer's services.

Life and Annuity

1. Product personalization
Key impact area:
- Personalization

GenAI can be leveraged to customize policies that emphasize the most pertinent clauses, simplify complex terms, and suggest coverage options that are appropriate for the customer's life stage and financial objectives. This personalized approach not only enhances the customer experience but also ensures that customers are well-informed and receive coverage that best meets their specific needs.

2. Annuity snapshots
Key impact areas:
- Streamlined customer service operations
- Efficiency

Context-aware GenAI-enabled chatbots can answer FAQs regarding customer annuity snapshots and statements. Examples: total assets, daily change, account performance, surrender value, loan, contribution, withdrawal, investment returns, performance, contract benefits.

Group

1. Group policy simplification
Key impact areas:
- Streamlined customer service operations
- Personalization
- Efficiency

Strategically implementing Generative AI solutions as interactive guides that walk customers through their group policy documents and enhance policy clarity, and product comprehension, can, in turn, enhance policyholder satisfaction and trust, ultimately leading to more effective and transparent policy management.

2. Customized group plans
Key impact areas:
- Streamlined customer service operations
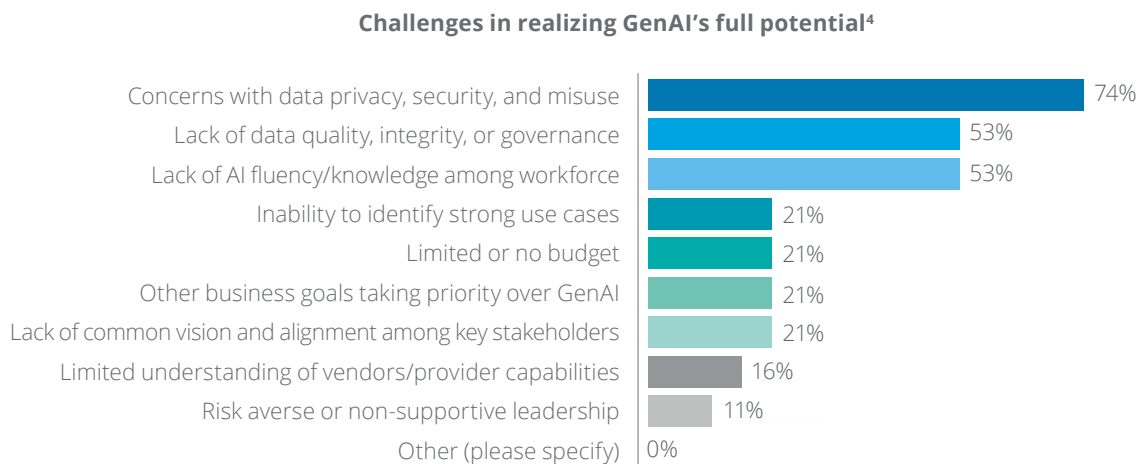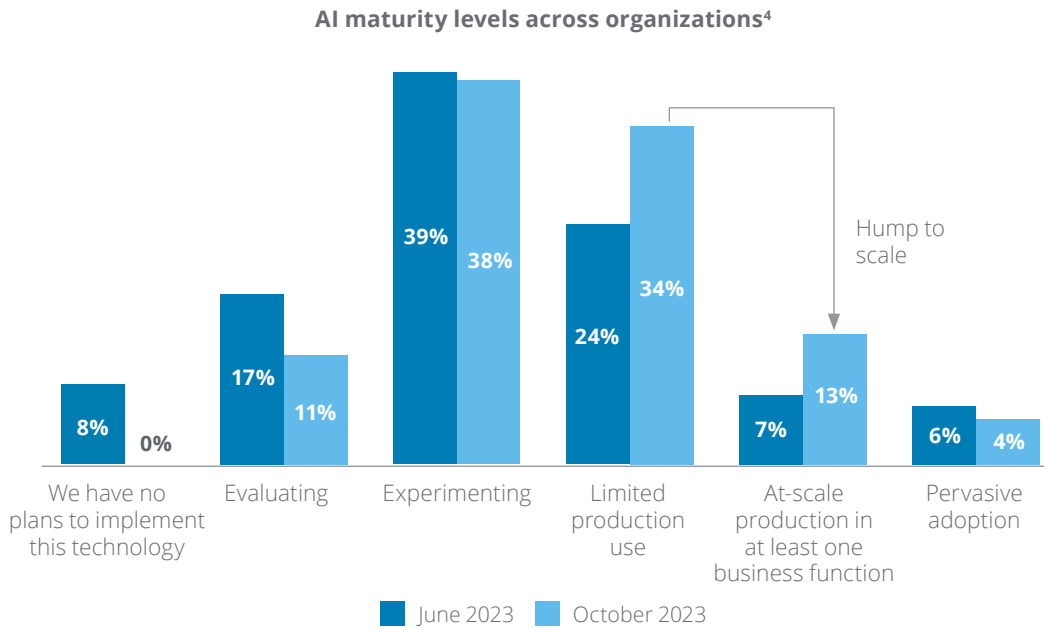- Personalization
- Efficiency

Generative AI-enabled applications/solutions can analyze data from a variety of sources to generate insights and inform the design of customized group insurance plans and tailored benefits packages and options, enabling the employer to improve the value proposition of the benefits package.
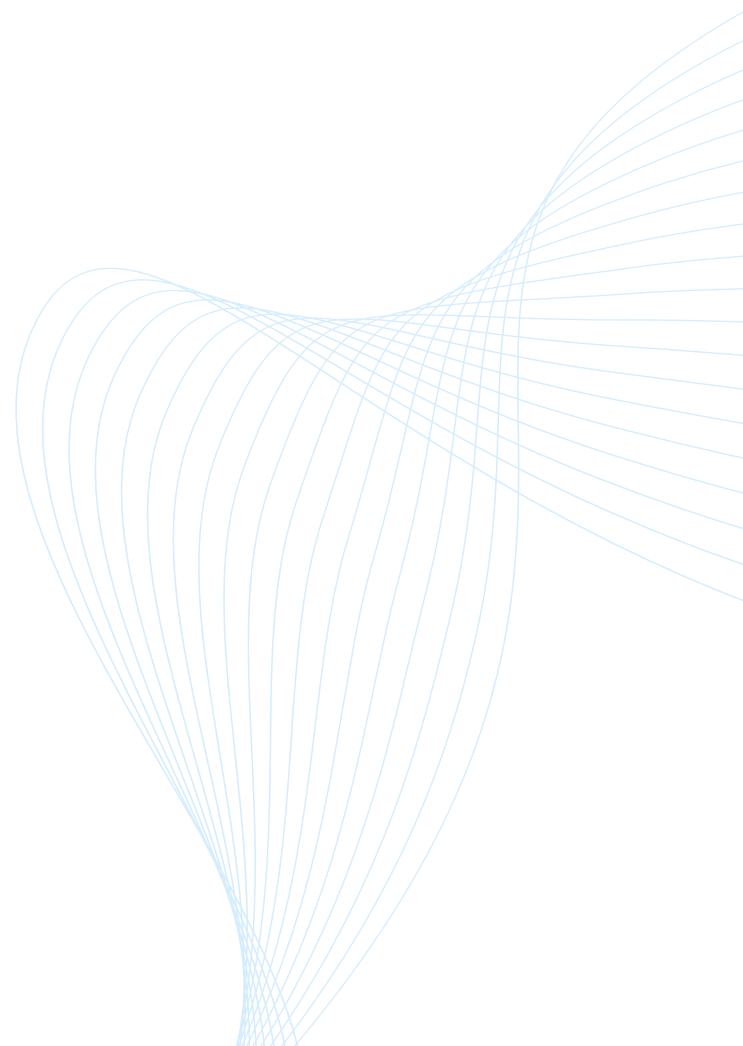
What are the challenges in integrating Generative AI in the insurance sector?

While Generative AI offers many benefits, its implementation in the highly regulated insurance sector is not without significant risks,[3] including data privacy breaches, biased decision-making, and potential erosion of customer trust.

Figure 2. Generative AI challenges

AI maturity levels across organizations[4]

	We have no plans to implement this technology	Evaluating	Experimenting	Limited production use	At-scale production in at least one business function	Pervasive adoption
June 2023	8%	17%	39%	24%	7%	6%
October 2023	0%	11%	38%	34%	13%	4%

Hump to scale

■ June 2023   ■ October 2023

Challenges in realizing GenAI's full potential[4]

Concerns with data privacy, security, and misuse	74%
Lack of data quality, integrity, or governance	53%
Lack of AI fluency/knowledge among workforce	53%
Inability to identify strong use cases	21%
Limited or no budget	21%
Other business goals taking priority over GenAI	21%
Lack of common vision and alignment among key stakeholders	21%
Limited understanding of vendors/provider capabilities	16%
Risk averse or non-supportive leadership	11%
Other (please specify)	0%

Issues in **data, governance,** and **talent** are three big hurdles blocking organizations from integrating GenAI solutions. By identifying potential risks and understanding their root causes within workflows, organizations can more effectively manage and address these challenges[5] across each bucket.

Data

- **Data quality:** Poor data quality can lead to incorrect risk assessments and pricing, affecting customer satisfaction.

- **Inherent data biases:** Historical data biases can result in discriminatory practices, undermining fairness and equity.

- **Data usage:** AI systems handling sensitive data risk significant privacy breaches and legal consequences if not properly managed or found noncompliant on evolving regulations.

AI governance

- **Overfitting risks:** Overfitted models may fail with new or uncommon claims, leading to inconsistent service.

- **Ethical and legal issues:** AI decisions may violate ethical standards or copyrights, leading to legal penalties and reputational damage.

AI talent fluency

- **Evolving talent needs:** Equipping current employees with advanced AI skills and bringing in the cultural shift to adapt to new roles and responsibilities shaped by GenAI capabilities remains a challenge for many organizations.

- **Stakeholder buy-in:** Lack of AI fluency can make it difficult to bring in the AI literacy cultural shift to internal stakeholders, too, thus slowing down go-to-market and stifling innovation.

For insurance industry leaders, mitigating risks linked to the adoption of GenAI hinges on improving their data quality and data strategy, creating strong governance frameworks, and executing detailed risk assessments. By enforcing stringent data protection protocols and maintaining transparency in AI-driven decisions, we can bolster both trust and regulatory compliance. Furthermore, the ongoing audit and timely updates of AI systems are essential to address new challenges and adapt to regulatory shifts, ensuring both the integrity and dependability of our technological advancements. Lastly, driving the adoption of Generative AI at the enterprise level to upskill employees to leverage GenAI capabilities ethically and responsibly is crucial now more than ever and will reflect in elevating the customer experience seamlessly.
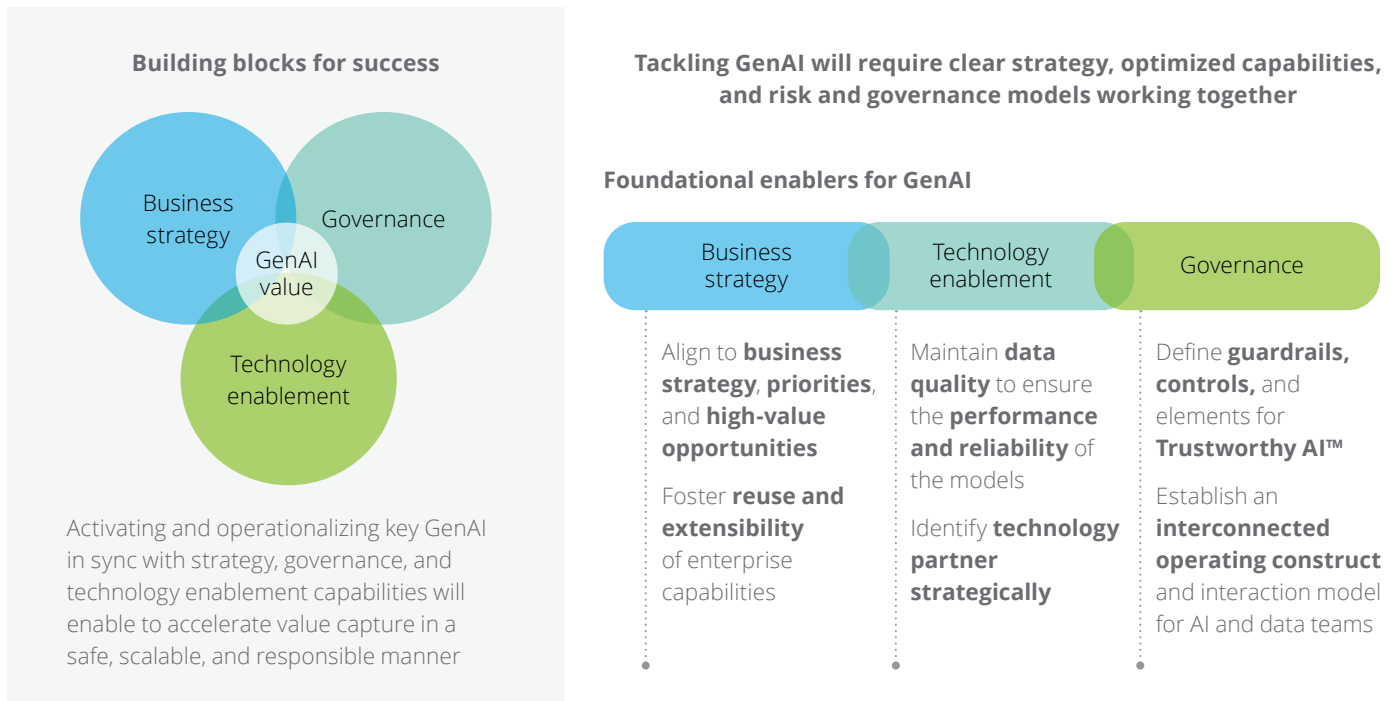
What are some of the building blocks for success?

Integrating Generative AI into business operations requires strategic alignment across various domains to ensure every stakeholder is on board and moving in the same direction. Early engagement from a broad range of stakeholders is essential.

Additionally, moving from proof of concept to scaling operations is a significant hurdle. Many organizations struggle to advance beyond initial trials, often due to challenges such as ethical considerations and technological hurdles like infrastructure and integration. The inability to demonstrate measurable return on investment and challenges in maintaining and updating models also contribute to the difficulty in moving from experiments to scaled solutions.

Let's look at the three critical components that converge to influence the trajectory of businesses utilizing Generative AI: optimizing business strategies for long-term success, adapting technological frameworks to ensure flexibility and reliability, and implementing stringent governance and change management to maintain control and efficiency.

Figure 3.

Building blocks for success

Business strategy

Governance

GenAI value

Technology enablement

Activating and operationalizing key GenAI in sync with strategy, governance, and technology enablement capabilities will enable to accelerate value capture in a safe, scalable, and responsible manner

Tackling GenAI will require clear strategy, optimized capabilities, and risk and governance models working together

Foundational enablers for GenAI

Business strategy	Technology enablement	Governance
Align to **business strategy**, **priorities**, and **high-value opportunities** Foster **reuse and extensibility** of enterprise capabilities	Maintain **data quality** to ensure the **performance and reliability** of the models Identify **technology partner strategically**	Define **guardrails, controls,** and elements for **Trustworthy AI™** Establish an **interconnected operating construct** and interaction model for AI and data teams

1. Business strategy

The implementation of AI in the insurance sector should begin with an alignment to the business strategy, emphasizing the prioritization of high-value opportunities to ensure long-term investment and value realization. It is crucial to create a business case and develop a framework for new use-case intake and prioritization, which includes identifying and prioritizing use cases that foster the reuse and extensibility of enterprise capabilities. Additionally, constructing a GenAI cost model is essential. This process should also involve gathering both business and technical requirements to support the structured deployment and integration of AI technologies within the organization's operational framework. This strategic approach ensures that AI initiatives are closely integrated with business objectives and are poised to enhance operational efficiencies and decision-making processes.

Select a suitable AI framework and tailor it to your organization's unique needs and culture, rather than adopting a one-size-fits-all approach. This customization ensures that AI technologies not only align with but also actively advance the organization's strategic objectives.

2. Technology enablement

Technological foundation is crucial for the effective integration of Generative AI into enterprise operations, and establishing clear leadership and robust governance structures is essential to this process. Building a diverse team with expertise in AI, including data scientists and ethicists, is crucial for driving innovation while adhering to ethical standards. A strong data strategy is essential, ensuring access to high-quality, relevant data for training AI models. Strategic partnerships with technology leaders and academic institutions are vital for staying at the forefront of developments and gaining competitive advantages. Additionally, developing model assessment criteria, functional capability models, and technology blueprints, along with creating target use-case pilots, are critical steps that enhance the structured deployment and integration of

AI technologies, ultimately boosting decision-making and operational efficiency. These collective efforts ensure a comprehensive and strategic approach to leveraging Generative AI within the enterprise.

3. Governance

To effectively implement AI in the insurance sector, it is essential to define guardrails, controls, and elements for reliable AI. Establishing an interconnected operating construct and interaction model for AI and data teams will facilitate cohesive operations. Identifying GenAI risks and creating appropriate controls are crucial, along with aligning these efforts with regulatory and legal requirements. Developing and operationalizing policies, standards, and procedures through pilots ensures that these frameworks are not only theoretical but practically applicable. Moreover, the establishment of a GenAI Center of Excellence (CoE) will help to manage long-term planning and avoid pitfalls such as vendor lock-in, inconsistent customer experiences, and unmonitored risks. This CoE would oversee GenAI applications across marketing, sales, and service touchpoints, ensuring a harmonized approach and preventing redundancy. Additionally, whether GenAI strategy and governance should be centralized or federated can vary, but both approaches can be beneficial in addressing the specific needs of business units while ensuring enterprise-wide consistency, optimizing costs, and managing risks.

Together, these strategic elements—business alignment, advanced technology integration, and rigorous governance and change management—equip insurance organizations to fully leverage the benefits of Generative AI, transforming it into a core component of their operational and strategic frameworks. This approach not only enhances current processes but also positions organizations for future innovation and competitive advantage.

Organizations across industries that have successfully transitioned from isolated experiments to widespread adoption of Generative AI capabilities have done so by correctly establishing and aligning their foundational capabilities.

Organizations that are leading the way in realizing full value of GenAI have:

- Invested in the foundational aspects of AI and built targeted use cases on it and then matured it

- Implemented centralized goveranance of technology to streamline decision-making and resource allocation

- Emphasized a value-oriented approach as the driving force for decision-making and strategy

What does it take to get from siloed experiments to scaled adoption?

1 Focus execution efforts and operations on scale over use cases

2 Train the models to comprehend customer language while adhering to regulatory and compliance guardrails

3 Invest resources in establishing a robust infrastructure foundation that integrates key cross-business core functions such as data, technology integration, and shared centralized models

Conclusion

The insurance industry has arrived at a crossroads. The convergence of modern servicing expectations, increased frequency of moments that matter, and a need to control costs has put carriers at the point of needing the next level of scalability to help them move forward and meet all three. Fortunately, Generative AI is no longer a buzzword; it is a present reality that can reshape what happens and how it is delivered in each interaction in the insurance industry. This is a generational opportunity to enhance customer satisfaction, streamline operations, and drive business growth.

Carriers that prioritize the right use cases, overcome the obstacles, and put in the building blocks for success will not just meet customer expectations of what a good experience is but be able to define it. For the carriers that do not adapt, the gaps of today will only get wider tomorrow. Generative AI can deepen customer trust and loyalty through tailored, efficient, and personalized interactions. It simplifies complex procedures such as claims processing and policy customization. This significantly enhances customer

satisfaction and engagement. In the end, organizations embracing Generative AI with a strategic, value-centric approach are leading the insurance industry, gaining competitive advantage, and moving beyond mere experiments to scaling GenAI solutions with tangible results. Failure to adopt Generative AI can erode competitive advantage, escalate customer retention costs with rising premiums, stifle innovation, and hinder growth opportunities.

Generative AI has become the imperative, and the time to act is now to not only adopt it with a value-centric approach aligning AI initiatives with overarching business goals but also scale it and elevate the experience for their customers and employees alike.

The next question is how fast will each carrier move on the opportunity to scale?

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Endnotes

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5. Suhrada et al., "How Generative AI can deliver insurance sector value."

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