



Perspective | March 12, 2024 | 5-minute read

Generative AI in the insurance industry

What role will generative AI play in the insurance industry?

Hardly a day goes by without reports on the diverse applications and impacts of generative AI – and for good reason. Generative AI not only has the potential to repurpose or optimize existing data or processes for new purposes, but can also generate novel and creative results at breathtaking speed for virtually any company, regardless of its technical expertise. Against this backdrop, it's no surprise that generative AI will also have a significant impact on the insurance industry.



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Generative AI creates new possibilities

Many companies are already leveraging the potential of **generative AI** for so-called "horizontal" use cases, meaning broad and cross-industry applications. From dialogue generation for virtual assistants and automatic code generation to the creation of marketing and sales content, the possibilities are virtually endless. This is creating cross-industry convergence, enabling companies to build on the insights of others and thus dramatically accelerate their own time to market or become fast followers.

For the insurance industry, however, there are also unique, industry-specific—and highly sustainable—opportunities for value creation, referred to as "vertical" use cases. To benefit from these, in addition to in-depth industry expertise, it is necessary to develop specific models or refine existing ones. The real game-changer for the insurance industry, however, will be combining different generative AI use cases to build a holistic, end-to-end solution at scale.

Value creation through investments in regenerative AI

Insurance companies face extraordinary opportunities if they fully exploit the potential of generative AI. This requires well-considered investments focused on three key dimensions:

Profitability and growth – Through strategically aligned investments, insurers can identify untapped growth opportunities, improve their product offerings and increase their market reach, which ultimately translates into higher profitability.

Cost savings and efficiency – By investing in generative AI solutions for low-risk use cases, insurers can significantly reduce their spending in relevant functional areas, resulting in substantial cost savings and operational efficiency gains.

Operative Intelligence – The use of generative AI for autonomous code writing dramatically accelerates software development, leading to increased productivity and reduced training times.

Use cases for Generative AI in various sub-sectors of the insurance industry

A number of use cases for generative AI are currently gaining significant importance in the various sub-sectors of the insurance industry:

Property and casualty insurance

- Streamlining claims processing to increase employee productivity and achieve cost reductions and efficiency improvements.

- Damage prevention and control to increase employee productivity and develop new revenue streams

Life and pension insurance

- Personalization of products to unlock new revenue streams
- AI-based support for insurance agents to increase employee productivity
- Optimizing underwriting and pricing to increase employee productivity and achieve cost reductions and efficiency gains.

Group insurance

- Tailor-made group tariffs to unlock new revenue streams and increase employee productivity
- Improved member engagement to increase productivity and develop new revenue streams

Potential risks and regulatory implications

Although the diverse opportunities created by generative AI are impressive, **artificial intelligence** also poses potential risks for the



insurance industry. Therefore, insurance executives should consider the following points when scaling AI initiatives:

- Damage caused by AI hallucinations, deepfakes, phishing and prompt injections can increase and lead to a loss of trust.
- Generative AI is prone to biased and discriminatory decision-making when used without appropriate guardrails and continuous monitoring.
- Models are also trained using proprietary and private data, which, among other things, necessitates compliance with legal regulations.
- Customer care and retention require a higher degree of empathy from insurance companies, particularly in claims processing. An overemphasis on AI-driven automation can lead to a lack of human interaction, negatively impacting customer satisfaction and loyalty.
- Regulatory authorities monitor insurers' AI models and set corresponding requirements for AI risk management. AI regulatory activities at the governmental level are progressing continuously with existing and planned legislation.

Minimize the risks with every step forward.



To minimize such risks, insurance companies should prioritize the development of ethical artificial intelligence, utilize multifaceted and representative training data, consistently evaluate and audit their AI systems through a robust governance model, and ensure transparency in decision-making. For further information on the next steps your company should take when considering the use of generative AI, [download the full publication here.](#) 

Exploring possibilities together

To achieve optimal results with generative AI, a well-thought-out strategy and close collaboration between interdisciplinary teams are essential. Furthermore, given the rapid pace of development of this technology, insurance companies should seek support from individuals with extensive experience in the field of generative AI.

If you would like to learn more about use cases, opportunities and strategies for Generative AI and Artificial Intelligence in your company, please feel free to contact us and [visit our insurance industry page](#) for further insights, analysis and resources.



Contact us



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