

KEEPING UP WITH GENERATIVE AI

Part 1 — the opportunity for insurers



REINVENTING INSURANCE SERIES

ARTIFICIAL INTELLIGENCE

is a co-pilot and fundamentally an invention that can help us do research, learn more, communicate more, sift through data better.

“We are entering a profound age of age of AI. AI brings huge opportunities for economies of the future, for the future of work, and for the future of workers. The ways AI is able to be so intelligent is through pattern recognition and correlation. This is due to the huge amount data or digital footprints that we are constantly releasing, particularly by our phones, but also when we use our credit cards.

We have a huge opportunity with AI and machine learning systems to hire people, and create a robust and progressive future-centered digital economy. We need to expand our digital literacy and arm people for the jobs of the future, so they can work with technologists and engineers to represent our values, our corporate values, our business values and our ethical values.”

Ramesh Srinivasan, UCLA Professor
Reinventing technology for the global society

Ramesh Srinivasan is a professor in the UCLA Department of Information Studies and director of UC Digital Cultures Lab, and a leading voice on the intersection of technology, innovation, politics, business, and society. In his talk on Reinventing technology for the global society, Ramesh discusses how technology shifts such as algorithms, AI, automation, machine bias, data sets and cryptocurrencies are having the greatest impact on businesses, the economy, labor, medical care and more.

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THE FUTURE

Generative artificial intelligence (AI) has arrived in force and has the potential to transform many ways insurers do business. Poster child of [“The Age of Acceleration,”](#) it has gained daily media coverage, and its possibilities have captivated headlines.

Earlier this year, [we explored the fundamentals of generative AI and the impact it may have in the insurance industry](#), as we saw many insurers experimenting with its potential. We are now seeing industry discussions progressively shifting away from “What is generative AI?” to “What can I do with generative AI that is impactful, and how soon can this impact be delivered?”. In this article series, we will explore the world of generative AI through the lens of insurance industry leaders, addressing practical questions with the goal of helping the industry move forward — thoughtfully — on the impact curve.

Our initial edition discusses, “The Generative AI Opportunity” for insurers, how significant generative AI will be for insurance organizations’ business strategies and ways-of-working, and how quickly the impact is likely to materialize.

IS NOW

In this article, we cover the following questions:

1. Is Generative AI any **different** from previous disruptive technologies?
2. Why should I worry about it **now**?
3. How should I think about **opportunities** for my business?
4. How **quickly** will these different opportunities come to life?



1 IS GENERATIVE AI ANY DIFFERENT FROM PREVIOUS DISRUPTIVE TECHNOLOGIES?



THE OPPORTUNITY IS MASSIVE,
but with many
“unknown unknowns”



THE ECOSYSTEM IS NASCENT,
even within big tech



SIGNAL VS. NOISE IS A GREATER PROBLEM
than usual



“BUILDING THE MACHINE” AT SCALE
will take time

The opportunity is massive, but with many “unknown unknowns”

A recent [Celent](#) survey found that by the end of 2023, half of insurers will have tested generative AI solutions, with more than 25% of insurers planning to have solutions in production by year-end. These numbers are significantly higher for larger insurance companies, and are likely to keep increasing as enterprise generative AI solutions and platforms proliferate and become more accessible.

However, the speed at which the technology is evolving requires leaders and teams to “learn as they go,” both around “What to do” and “How to implement the models, tools, and solutions.” While the short-term benefits are still unclear, we believe it is important for insurers to continue experimenting, exploring, and scaling the potential of certain solutions in order to stay ahead of the curve, and gain a first-mover advantage.

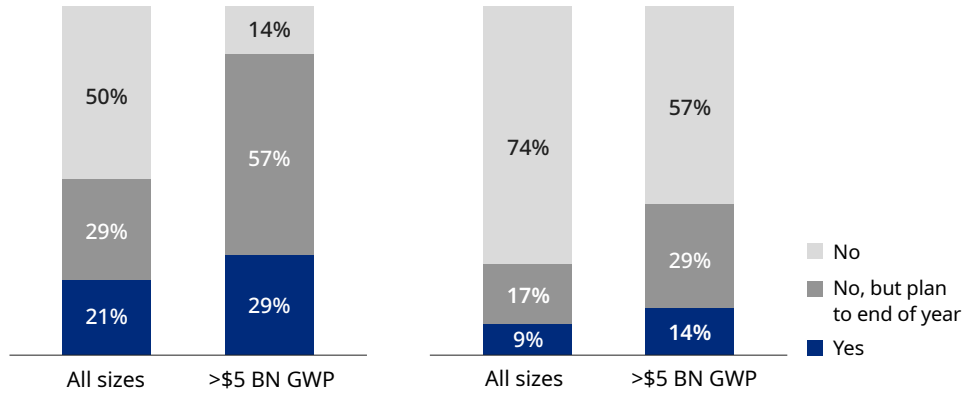
Unlike prior disruptive technologies — such as the internet, mobile, cloud, low code and no code, or even blockchain — whose mere early adoption took years to materialize, generative AI fostered large scale experimentation practically overnight. This was driven by a combination of ease of access to consumer solutions (such as OpenAI’s ChatGPT or Google’s Bard), worldwide media coverage, and the promise of near-instant benefits (however real).

Exhibit 1: Many insurers are testing generative AI solutions, and 25% plan to have solutions in production by the close of 2023

% of OW/Celent survey respondents, all sizes/> \$5 billion gross written premium (GWP)

US insurers developing Generative AI solutions in a **test** environment

US insurers developing Generative AI solutions in a **production** environment



Source: Oliver Wyman/Celent poll surveying C suite executives in the insurance industry, conducted from May 15, 2023 to May 22, 2023. 33 executives responded, with eight representing companies over \$5 billion in revenue. Questions include: (1) "Are you currently developing large language models in a test environment for future usage?" (2) "Are you currently using large language models in any production applications?"

The ecosystem is nascent, even within Big Tech

Over the last few months, Big Tech players have announced their "horse in the race," and are testing their way to right, with many growing pains along the way. From issues during live demos to fast-tracked beta releases, most Big Tech outlets pushed their products to market as quickly as possible, increasing potential risks around the short-term use of their technology.

Many enterprise solutions remain primarily focused on experimentation-type use cases, with major compliance, privacy and technology considerations — among others — yet to be resolved. LinkedIn's co-founder Reid Hoffman notoriously stated that, "If you're not embarrassed by the first version of your product, you've launched too late"— and many players in the generative AI race seem to have taken this to heart, but are now dealing with an enterprise world that is used to leveraging more "finished" products, and where large-scale pilots and rollouts come with a range of adoption challenges in the best of instances.

Signal vs. Noise is a greater problem than usual

Similar to most technology disruptions, many technology players of all sizes and capabilities are rapidly announcing new generative AI solutions aimed at enterprise use cases for insurers. More than ever, it will be critical for insurers to assess potential generative AI solution providers and partners using a structured process (including due diligence and proof-of-concept development) in order to distinguish between “real” solutions from shiny objects, as well as identify the most efficient and effective partners.

Exhibit 2: Many insurtechs and technology providers have already announced or rolled out generative AI solutions across the value chain

Below is a non-exhaustive view



Product and Marketing

Product design

Holistic propositions

- Coalition

Personalized marketing

Generate personalized client communications materials

- Sproutt



Distribution

Agent enablement

Hyper-personalized communications

- Capitola
- Newfront
- Sapiens
- Sproutt



Operations

Customer support

Sentiment analysis of inbound communications

- Coalition
- Inzmo
- Majesco
- OpenDialog
- Plum
- Uniphore



Underwriting (UW)

UW workbench, risk analysis

Enhanced data collection, organization, and interaction

- Betterview
- Cowbell
- Dais
- Kalepa
- Neura Metrics
- Paladin Group
- Sixfold



IT/Engineering

Code copilot

Automated code generation

- GitHub Copilot
- Open AI Code Interpreter

Claims automation

Enhanced process automation and streamlining

- Corvel
- Lemonade
- Liberate
- Newfront
- Roots Automation
- Sprout.ai

Source: Oliver Wyman analysis

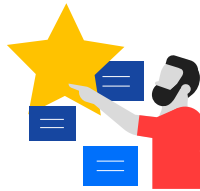
“Building the machine” at scale will take time

Realizing material gains from generative AI will require significant changes in ways of working. Early pilots may require guardrails that reduce — or even counter — expected productivity gains in limited settings. Yet, persevering through short-term challenges may be crucial to gain a first-mover advantage and achieve long term success.

Exhibit 3: Oliver Wyman’s 5 key success factors to driving Generative AI impact



Focus on business value by working from specific insurance problems/needs back



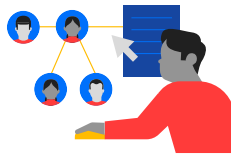
Build confidence and initial wins based on experience, **course-correct early** and often using new learnings



Be **Change-led, Technology-enabled**



Take risks into account — AI holds uncertainties, unknowns and is dynamically evolving



Engage the organization to gradually build conviction and engagement — all functions, all levels

Source: Oliver Wyman analysis

GENERATIVE ARTIFICIAL INTELLIGENCE IS HAVING ITS “IPHONE MOMENT”

“Artificial intelligence is as revolutionary as mobile phones and the Internet ... The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it.”

Bill Gates

The Age of AI has begun

Source: www.gatesnotes.com/The-Age-of-AI-Has-Begun

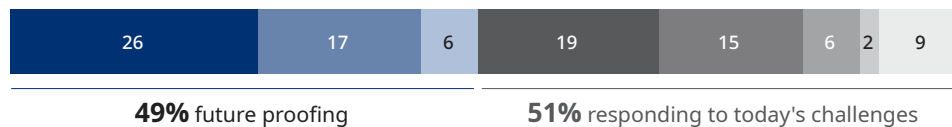
2 WHY SHOULD I WORRY ABOUT IT NOW?

Insurance “Demand-side” hints at AI as a top objective in future-proofing organizations

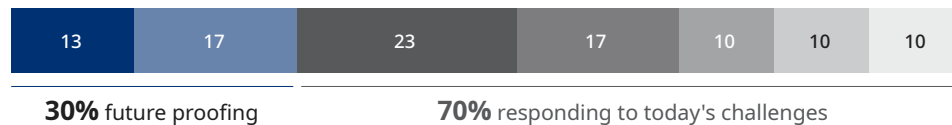
According to a recent [Oliver Wyman C-Suite survey on future growth opportunities](#), AI and digital strategy are the number 1 priorities for organizations that have already achieved their transformation objectives (compared to companies that have not, where it is more of a number 4 priority). Management attention on generative AI is substantial at the moment, hinting at continued interest and investment.

Exhibit 4: Organization priorities over the next 12 months, by transformation success

Companies that achieved all of their transformation objectives



Companies that did not achieve a majority of their transformation objectives



■ AI and digital strategy
 ■ Product, customer, and partnerships
 ■ Growth strategy
 ■ Talent
 ■ Climate
 ■ Cost reduction
 ■ Management of macro risks
 ■ Other

Source: [How to lead a successful transformation](#)

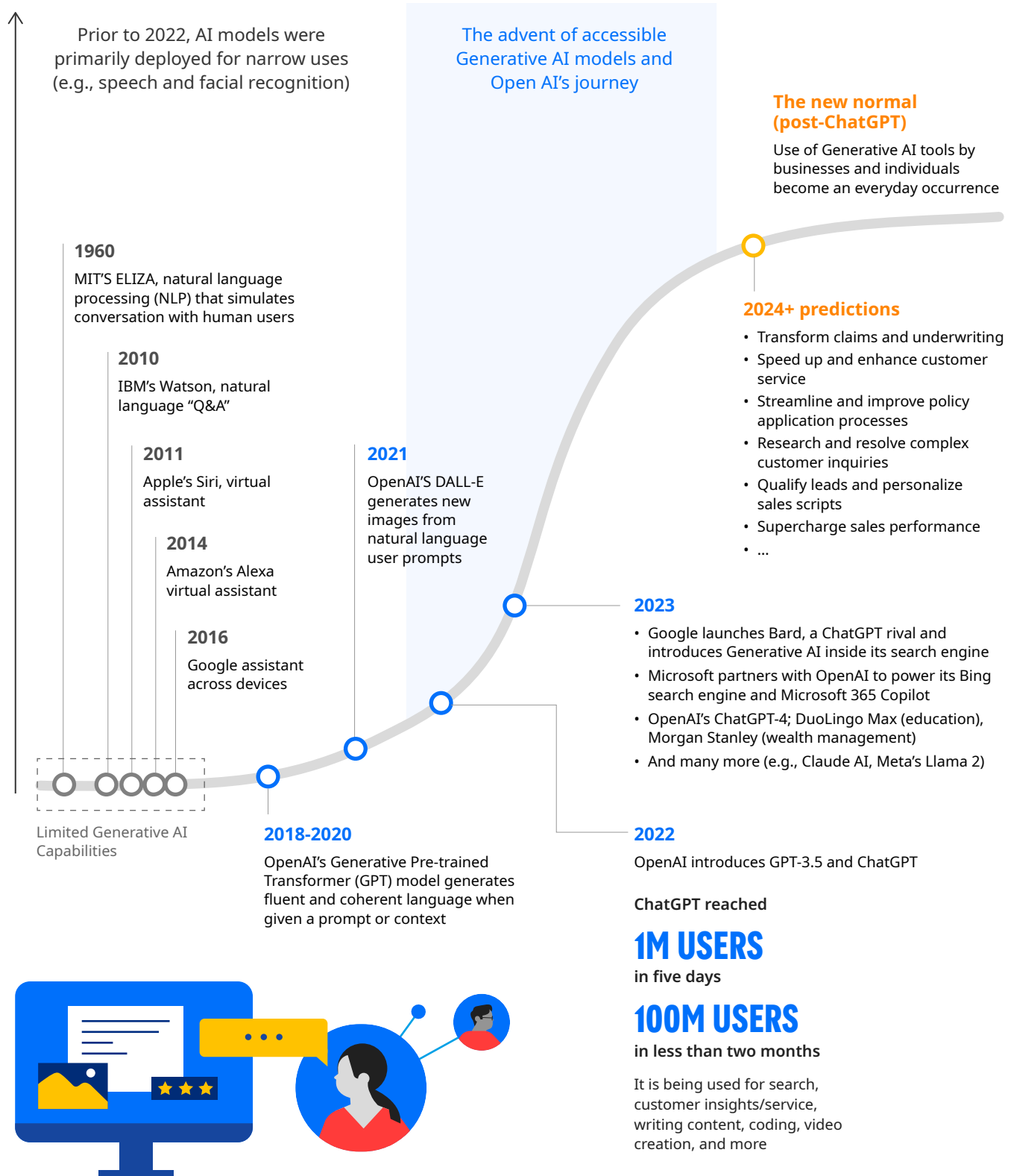
Technology “Supply-side” hints at a “new normal” following early growing pains

While the current environment indicates a lot of uncertainty and risks, there will definitely be a “before” and “after” ChatGPT, with AI currently experiencing its “iPhone moment.” The technology offers the power to change how we work, produce and interact with content — similar to the way the iPhone changed how we communicate, share information, make purchases, snap photos, and access the internet.

We anticipate enterprise and customer-facing solutions to incorporate generative AI in various forms in 2024 and beyond, based on the solid trend that has started to emerge in the first few months of 2023.

Exhibit 5: The AI journey and the road ahead

Adoption of Generative AI

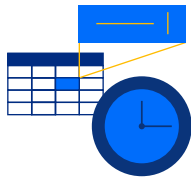


Source: Oliver Wyman analysis

3 HOW SHOULD I THINK ABOUT OPPORTUNITIES FOR MY BUSINESS?

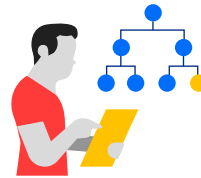
Four ways Generative AI can deliver business value for insurers

DRIVE EFFICIENCY VIA AUTOMATION



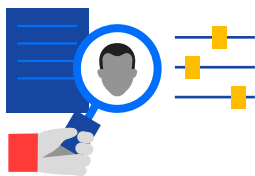
- **Streamline repetitive or manual tasks to increase time for higher-skill activities** (customer support, operations)
- **Objective:** Decrease costs, increase **productivity** (claims/full-time equivalent)
- **Challenge:** Most outputs require **human review**; few **off-the-shelf models**; training and upskilling (from “doing” to “validating”)

AUGMENT/“CO-PILOT” DECISION-MAKING



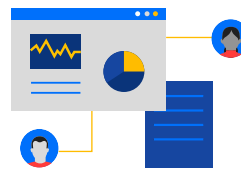
- **Augment human expertise** with **synthesized** research and insights to facilitate **complex decision-making** (underwriters, claims specialists, agents)
- **Objective:** Reduce losses, shorter processing time
- **Challenge:** Input **data quality** and **exhaustivity** (internal and third party); training/upskilling of decision-makers

HYPER-PERSONALIZE ENGAGEMENT/ EXPERIENCE (CUSTOMER & EMPLOYEE)



- Use data to deepen **customer understanding** (personas, social listening) and develop **personalized marketing materials**
- **Objective:** Generate higher revenue via increased **conversion, retention, cross-sell,** and **customer engagement**
- **Challenge:** Accuracy of AI-drafted materials, legal and compliance governance processes

REINVENT INDUSTRY MODELS AND VALUE PROPOSITIONS



- **Develop holistic Generative AI-based products and services, for example:**
 - **Integrated home insurance and assistance chatbot** (leveraging IoT data)
 - **Needs assessment and product bundling** (for small businesses)
- **Objective:** **Revenue growth** (new or existing)
- **Challenges:** **Product-market fit, model development** cost and timeline (including data)

Drive efficiency via automation

Generative AI is not merely a replacement for underwriters, agents, brokers, actuaries, claims adjusters, or customer service representatives. Rather, it is an opportunity to create new operational efficiencies, build greater customer satisfaction, and empower employees to focus on value-added activities.

Generative AI can help streamline repetitive or manual tasks so employees can focus on higher value-add activities. Efficiency opportunities include:

- **Customer service query support:** Use insights from thousands of prior inquiries and back-and-forth discussions with customers to inform the potential next best answer faster
- **Product research and benchmarking:** Use a combination of public and proprietary data to make it easier to compare insurance products, overall or in a particular situation
- **Agent training using synthetic customer queries:** Create natural sounding customer dialogues (in various languages) to practice common scenarios and edge-cases with agents, and reduce the need for bespoke training
- **Contract review and analysis:** Provide changes summaries and comparisons to accelerate the analysis of insurance (or non-insurance) contracts
- **Corporate function efficiency gains:** Similar opportunities exist across legal, [compliance](#), finance, human resources, etc.

WHAT IF CLAIMS PRODUCTIVITY COULD BE IMPROVED?

Generative AI has the power to automate “mundane” adjuster tasks and to make adjusters’ jobs more efficient and focused on driving outcomes vs. documenting file and updating management

Customer and business challenge

Client objectives

Increase productivity

Business objectives

Increase adjusters and claims managers’ case load and improve cycle times without adversely impacting quality

Target employees

Claims adjusters and claims managers

Value proposition

Claims adjusters can spend more time adjudicating and assessing claims vs. documenting the file in the claims system (diary, prep for roundtables, claim reviews)

Sample product roadmap

Start with **search** (claims system including file notes, document management policy system)

Add summarization

(create summary with key case facts to date and next steps, and “yellow/red flags”)

Highlight potential case risks

(red flags such as lack of response to a time limit demand)

Prerequisites and risks

Technology

Review existing tech stack to influence the build, buy, and partner decision-making

Data

Determine the internal and client data strategy and timelines (including privacy policy, access controls)

Governance

Assess the risk and compliance, stakeholder engagement, and review the legal and regulatory requirements

Organization

Select business areas to pilot and outline the training plan

KPIs and business impact

Pilot metrics (near-term)

- How often and how much automated notes are edited by adjusters
- Time saved on file documentation compared to standard practices
- “Break even” point: how long does it take for adjusters to learn new practices and start saving time

Business metrics (medium-to-long term)

- Improved cycle time and caseloads
- Increased quality scores
- Percentage of time spent on claim adjudication vs. administration

Potential for **~5% to 20% time saving benefits** (depending on type of claim, line of business, and the percentage of documentation that can be automated)

Augment and “co-pilot” decision-making

Generative AI technology offers an instant feedback loop of information, allowing insurers to analyze customer insights or quickly solve an issue across multiple mediums including emails, website interactions, and customer service discussions. Insights can be produced in shorter timeframes — from seconds, minutes, and hours, rather than multiple days or weeks.

This offers a powerful co-pilot for underwriters, claim adjusters, agents and other roles, which can augment human expertise and help accelerate complex decision-making. Many of these roles rely on large amount of expertise that cannot be replaced by rules-based algorithms. Generative AI can help accelerate experts' analyses and assessments.

“Co-pilot” opportunities include:

- **Generating co-pilot code:** Help software engineers create a first version of the code they are looking to write, which can be reviewed and augmented, rather than starting from scratch
- **Augmented agent-relationship tools:** Synthesize prior interactions with customers across channels or consider potential opportunities based on similar profiles
- **Complex claims review:** Synthesize and summarize claims information or progress from various stakeholders, enable faster referrals and reviews by supervisors; accelerate investigations
- **Underwriting decision-support:** Enable the review of a broad range of public and proprietary datasets, including prior decisions on similar accounts
- **End-to-end digital customer assistants:** Provide customers with holistic suggestions of what they could do next, based on their unique situation

Hyper-personalize engagement and revolutionize customer experiences

Within the marketing and distribution part of the value chain, generative AI can help insurers identify upgrades, add-ons, smarter and more targeted products to sell to customers — ultimately generating new revenue streams. Sales teams can leverage generative AI to create effective sales lead lists, craft compelling, personalized sales scripts, and generate customized follow-up materials (for example, emails, marketing graphics, and messages). AI offers deeper insights on customer behaviors, helps develop more personalized customer experiences, and can support teams efficiently manage pricing, logistics, and product distributions.

“Hyper-personalization” opportunities include:

- **Customer insights and sentiment profiles:** Based on public and internal data, develop more specific personas that enable an understanding of [customers’ functional, social and emotional needs](#) at scale
- **Tailored marketing materials:** Using advanced personas and a deep understanding of internal and external offerings, develop customized marketing materials quicker that require limited human review and input

WHAT IF “AUGMENTED INSURANCE AGENT” TOOLS COULD DELIVER GREATER CUSTOMER RELATIONSHIPS AND TURBOCHARGE GROWTH?

Generative AI can help create co-pilot solutions that “augment” agents and help them increase customer satisfaction generate more cross-selling, and improve productivity.

Customer and business challenge

Client objectives

Increase customer satisfaction

Business objectives

Drive customer conversion, retention, and cross-sell (as well as agent productivity)

Target employees

Focus on relationship managers (team members and leads)

Value proposition

Spend more time with clients (vs. administrative tasks) with less effort to personalize outreach

Sample product roadmap

Start with **search** (past client interactions and CRM linkage)

Add **summarization** (internal and competitors’ product suites)

Add **hyper-personalized content generation** (outreach emails linked to client info)

Develop **recommendation engine** “next best action” for client outreach

Pre-requisites and risks

Technology

Review existing tech stack to influence the build, buy, and partner decision-making

Data

Develop the internal and client data strategy and timelines (including privacy policy, access controls)

Governance

Assess risk and compliance, stakeholder engagement, and review legal and regulatory requirements

Organization

Select pilot areas and outline the training plan

KPIs and business impact

Pilot metrics (near-term)

- Tool usage and retention
- Time saved on specific tasks
- “Break even” time to benefits realization

Business metrics (medium-to-long term)

- Sales and new business
- Net promoter score (NPS) and client retention
- Percentage of time spent on client interactions vs. administrative tasks
- Number of clients served per agent

Based on our experience with Co-Pilot solutions, potential for **~20% time saving benefits** (with a shift from simple to complex tasks)

Reinvent industry models and value propositions

The combination of generative AI use cases to create efficiencies, “co-pilots,” and hyper-personalization along with other technology, operation and behavioral changes, may lead to brand new opportunities for the industry. These offer a potential to reinvent the entire insurance value chain, and transform the role of the insurer altogether. While these opportunities are practically boundless and further out for the future, below are a few potential reinvention examples:

Needs assessment and product bundles (for example, personal or small business insurance at scale): Create fully modular products and offerings generated and/or recommended by AI, based on a deep understanding of customer profiles and needs. This may include:

- Needs identified based on prior interactions, public profiles and “like me” content
- Value proposition automatically generated based on these needs
- Products and services assembled from a combination of proprietary and third-party offerings
- Agents or underwriters as challengers of the final solution and engineers for input into future offerings via prompts

Integrated insurance and assistance propositions: Develop products that span multiple “supply” elements given customer needs, such as insurance, assistance, wellness. This may include:

- **Assembly of solutions** based on a broad array of partner solutions and a large set of individual customer practices to understand adjacencies
- **Development of custom marketing materials** to highlight customer needs and create an integrated value proposition around
- **Underwriters or agents as an ecosystem partnership orchestrator** making such products possible

4 HOW QUICKLY WILL THESE DIFFERENT OPPORTUNITIES COME TO LIFE?

In the shorter-term, we anticipate that generative AI will materialize in more targeted areas within insurers' organizations and value chains. These focus areas need to meet a set of materiality, feasibility, and organizational readiness criteria, as well as, be an initial beacon for scaling to more transformative solutions in the foreseeable future.

These shorter-term ambitions may include:

- **Customer service support solutions** that save agents time, but do not include customer self-service processes
- **Targeted automation solutions for claims adjusters**, which can open the door for broader "augmented" use cases down the line
- **Solutions enabling the development of numerous, high-fidelity personas** (for example, with volumes in the hundreds vs. in the tens) and/or the rapid development of highly customized marketing materials that can be reviewed and finalized by internal marketing teams

Exhibit 6: Selection criteria and considerations for initial focus areas

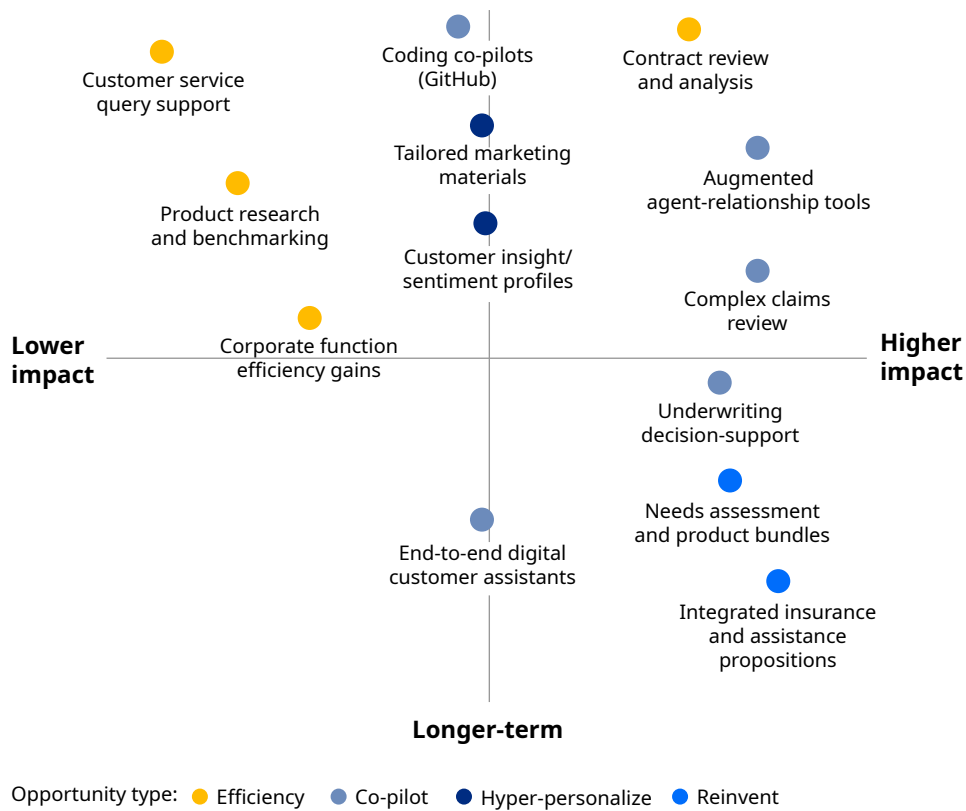
Materiality	High-level use cases	Relevance (Illustrative)
<p>What is the size of the impacted population (customer and/or employee)</p> <p>To what extent can this area serve as a beacon for success</p>	<p>Task automation (building reports, meeting minutes)</p>	<p>★ ★ ★ ★</p>
<p>How much impact will the solution have on this area?</p>	<p>Non-insurance content creation (sales and marketing content creation, internal training creation)</p>	<p>★ ★ ★ ★</p>
<p>Feasibility</p> <p>Are there critical business requirements that existing Generative AI solutions are not able to meet yet?</p> <p>Are there critical legal, risk or organizational hurdles?</p>	<p>Insurance content creation (review underwriting documents)</p>	<p>★ ★ ★ ★</p>
<p>Organizational readiness</p> <p>Is there sufficient leadership buy-in and interest behind this use case?</p>	<p>Extracting and summarizing content (summarizing documents)</p>	<p>★ ★ ★ ★</p>
<p>Are there early adopters with the interest, willingness, and ability to pilot new solutions?</p>	<p>Programming (suggests code or generates entire applications or websites)</p>	<p>★ ★ ★ ★</p>

Source: Oliver Wyman analysis

These initial solutions will be the first step towards generating broader outcomes, such as the end-to-end transformation of complex claims management or large account underwriting reviews. We also anticipate new business value propositions combining the power of efficiency, augmentation and hyper-personalization, such as the ability to rapidly develop highly customized small business insurance propositions at scale.

Exhibit 7: Near-term vs. longer-term opportunities for insurers

Harnessing the power of generative AI offers many opportunities for the insurance industry that continues to evolve. Below we share areas that are emerging, and how it can create value and impact for your business — in the near- and longer-term.



Source: Oliver Wyman analysis

Next up

In our series of upcoming articles, we will explore questions around business value creation and new ways of working. We'll help you unlock the power of generative AI, and take a deep dive into specific use cases and actions for your organization.

Most recently, these questions have arisen, and industry executives are considering:

- How should I think about the **business value and return on investment (ROI)** from generative AI?
- What does it mean in terms of changes to my employees' **ways of working**, as well as the **skills we need** and our broader **talent strategy**?
- What does it mean for specific parts of the **value chain** — today and in the future?

Get started

At Oliver Wyman, we help our clients think critically about generative AI opportunities across the value chain, pilot and scale use cases, and set up programs and portfolios to deliver immediate and long-term impact. This includes value proposition development, solution design and build, operating model design, talent and workforce considerations, capabilities, models, and processes, licensing and partnerships, and adopting best risk and governance practices across the business.

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