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# Generative AI in insurance:

# Trends, benefits, and challenges

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# Introduction from Roi Amir, Sprout.ai

In recent months, Generative AI has taken the world by storm. Every industry is taking note of the opportunities presented by this cutting-edge technology that is capable of using datasets to generate realistic images, audio and text. Within the insurance industry alone, AI is valued to be worth $35.77 billion by 2030[1]. The opportunities for creating efficiencies and improving the customer experience are exciting and plentiful.

Often, insurance companies lag behind when adopting new technologies[2]. However, we are seeing an interesting market response to generative AI. Over half of the insurers we surveyed have already implemented the technology, or are considering doing so. The hype around ChatGPT[3] has demonstrated the potential of generative AI from both operational and departmental perspectives. It is now top-of-the agenda for insurers at the Board level.

In this report, we present the results of an extensive survey into attitudes, opportunities and challenges surrounding generative AI in the insurance industry. The findings reflect an industry ready to embrace this exciting new technology in order to improve the experiences of the people working in it, and every person who takes out an insurance policy.

The data in this report was gathered from our research conducted in April 2023 in collaboration with Opinium on the attitudes of more than 100 UK and US insurers towards generative AI.

Roi Amir, CEO, Sprout.ai

1   Data Bridge Market Research. (2022). *Global Artifical Intelligence (AI) in Insurance Market - Industry Trends and Forecast to 2030*. Available at: https://www.databridgemarketresearch.com/reports/global-artificial-intelligence-ai-in-insurance-market

2   McKinsey. (2017). *Digital disruption in insurance: Cutting through the noise*. Available at: https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/time%20for%20insurance%20companies%20to%20face%20digital%20reality/digital-disruption-in-insurance.ashx

3   Digalaki, E. (2023). *ChatGPT and Generative AI in Insurance*. Available at: https://www.insiderintelligence.com/content/chatgpt-and-generative-ai-in-insurance

# Summary of findings

## 59%
**Reported that their organisation is already using generative AI**

## 35%
**Reported already using generative AI in their processes**

## 54%
**Feel marketing and claims hold the greatest opportunity for generative AI**

## 61%
**See improving the efficiency and productivity of staff as the biggest benefit of generative AI**

## 47%
**Feel training staff is the biggest barrier to implementing generative AI**

## 45%
**Cited the cost of generative AI as a concern**

## 22%
**Worried that they would not see a return on their investment**

## 60%
**Think the hype around ChatGPT and Generative AI has placed automation at the top of the agenda at Board level**

# Insurance and generative AI today

## How far have insurers already embraced generative AI?

The insurance industry is often seen to be playing catch-up when it comes to the latest technology[4]. However, our research found that 59% of those surveyed in both the UK and the US have already implemented generative AI technologies, such as ChatGPT. Middle Managers and above are significantly more likely to be currently using generative AI technologies compared to those in more junior positions (62% vs 18%).

In the UK, 27%[5] of insurers are currently using generative AI in their processes. In contrast, in the US this figure is 40%. This notable difference perhaps reflects a lower risk appetite or a stronger focus on other areas, such as Environmental, Social and Governance in the UK market[6] when prioritising innovating processes.

It is important for insurers to keep pace with the adoption of this technology. When asked about the attitudes towards generative AI in their customer base, 47% and 55% of respondents in the UK and US respectively said their customers had positive opinions of the technology.

This shows in no uncertain terms, consumers are aware of generative AI. They understand it and want to use it. It will soon become something they expect from their insurers, rather than a point of difference.

4    McKinsey. (n 2).

5    Figure is indicative only as there were fewer than 50 UK insurer respondents

6    Frohling, P. and Bakor, K. (2022). 'ESG and access to capital: Why insurers must stay focused on ratings', *EY Parthenon*, 19 December. Available at: ey.com/en_gl/insurance/esg-and-access-to-capital-why-insurers-must-stay-focused-on-ratings

# Opportunities and benefits

Generative AI's versatility creates the opportunity to revolutionise a multitude of business areas within the insurance industry. Its capabilities go much further than generating human-like text in the manner of tools like ChatGPT.

When we asked our respondents which business functions would benefit the most from generative AI, over half (54%) said marketing and claims, closely followed by administration (47%), underwriting (46%) and customer onboarding (43%). Actuary and legal/regulatory functions came next at 22% and 21% respectively.

Improving the human experience for both employees and customers emerged as a key benefit of generative AI for insurers. The leading benefit if implemented in their organisation was improving the efficiency and productivity of staff (61%). Providing better customer service was also rated highly (48%). It seems that a human-first approach to implementing generative AI is a priority for insurers, who want to use the technology to enhance people's experiences, rather than remove them from the organisation and its processes. Cost savings (56%) and business growth (48%) were also found by respondents to be benefits of implementing generative AI in their organisation.

With Sprout.ai's generative AI driven policy checking solution, claims handlers can review policy documents in seconds[7]. This increases the efficiency of the claims process, reduces operational costs and gives claims handlers time to focus on providing a high quality service.

7    Sprout.ai. (2022). *Responding to rising customer expectations in insurance*. Available at: https://resources.sprout.ai/consumer-research-report

**59% of insurers report that their organisation is already using generative AI**

# Unlocking widespread adoption

## What are insurers most concerned about when it comes to implementing generative AI?

Despite the positive response to generative AI within the industry, there are barriers to overcome if it is to be implemented successfully. Staff training was highlighted as the top barrier (47%) to implementing generative AI in their organisations. Many of the use cases for the technology will directly assist employees. Ensuring they are comfortable with the tools, and know how to use them effectively, will make a considerable difference to the overall success of implementation. Insurers and technology providers alike will need to ensure they have people top-of-mind when looking to unlock widespread adoption. It is worth noting that this was a higher concern for UK-based insurers (58%) vs those in the US (38%).

Cost was cited as the biggest barrier for US insurers (48%), but only 22% of all respondents were concerned about not seeing a return on investment. This perhaps reflects a misunderstanding that high expenses, whether through IT transformation

or operational costs, are unavoidable when implementing new technology. However, plug-and-play solutions such as Sprout.ai can reduce the time it takes to process a claim and increase operational efficiency without high IT transformation expenses.

Unsurprisingly, concerns about AI replacing jobs, as well as safety and ethics, are still present, suggesting more needs to be done to bridge the trust gap. A substantial element of that task is further educating the market about AI broadly and how it is used within insurance. At Sprout.ai, the technology allows for the automation of repetitive tasks and binary decisions. The AI is a support mechanism, while a human still makes critical judgement calls.

Lacking an understanding of the technology ranked as the lowest barrier in both the UK (13%) and the US (15%), reinforcing the fact that generative AI's reach has expanded far beyond just those with deep technical expertise.

# The future of insurance

The value and commercial benefits of generative AI are wide-ranging. Implementing this technology is not merely a siloed project for technical teams, but offers opportunities for every division. This is an exciting time for insurers old and new to capitalise upon the hype, positive sentiment and innovation-friendly regulatory environment surrounding generative AI.

In doing so, they will be able to create efficiencies, improve people's job satisfaction, and create a differentiated customer experience.

As our last report showed, more than a fifth of consumers expect their claims to be resolved within hours, while 62% of claimants who reported a good customer experience said they remained customers of their existing insurance provider[8]. When generative AI is used to produce huge gains in time and cost efficiencies, customer retention will improve in tandem with customer experience.

The key to success is embracing the technology while ensuring employees receive suitable training. Those insurers that manage to strike the right balance will set new standards for customer experience, unlock business growth, and remain competitive globally.

8    Sprout.ai. (n 7).

# Key takeaways

Generative AI has become a topic of discussion at the highest levels of insurance companies, with Boards recognising its potential.

**1**

Both UK and US insurers acknowledge the opportunities presented by generative AI in terms of enhancing productivity and achieving cost savings.

**2**

Insurers believe generative AI can have the most impact on marketing and claims.

**3**

Insurers need to invest in staff training and education to build trust in generative AI and bridge the skills gap.

**4**

# About Sprout.ai

Sprout.ai is an award-winning technology solution for the insurance industry, with the vision to enable insurers to deliver a differentiated claims experience to their customers.

It uses ground-breaking AI and data-led products to automate every step of the claims journey. Extracting and enhancing relevant claims data, cross-checking this with policies and providing a philosophy-driven adjudication recommendation to conclude a claim in near real-time. Providing claims handlers with time to spend with customers, where human touch and empathy can make a real difference.

Sprout.ai has raised $15 million to date from top-tier investors Octopus Ventures, Amadeus Capital Partners, Playfair Capital and Techstars.

## Methodology

Opinium, on behalf of Sprout.ai, surveyed 126 insurance professionals between 6th – 20th April 2023, across the UK and US, with over 100 employees about their attitudes towards generative AI. Middle management or above made up 52% of respondents. They are either responsible for procuring new technologies or have a significant influence over purchasing decisions.

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