

New IBM study: Insurance Leaders Agree That rapid Adoption of Generative AI is Necessary to Compete, but Insurance Customers Express Reservations

C-suite executives see generative AI as both a risk and an opportunity



ARMONK, N.Y., Oct. 16, 2024 /PRNewswire/ -- New research by IBM's (NYSE:IBM) Institute for Business Value identifies a disconnect between how insurers and their customers prioritize the use of generative AI, with industry executives focusing on experience while their clients are seeking personalized risk products and insights.

Findings from a survey of 1,000 insurance c-suite executives in 23 countries and 4,700 insurance customers in nine countries are outlined in [Generative AI in the Insurance Industry: You Can't Win if You Don't Play](#)

"The insurance industry has made headway in generative AI with customer experience and chatbot enhancements, but insurers must focus on adopting comprehensive governance frameworks that ensure transparency, privacy, and explainability to ensure they are building trusted AI assistants and reliable processes," said Mark McLaughlin, Director of Global Insurance with IBM Technology. "There are also significant opportunities in connecting customers to the right products. Leveraging AI across the enterprise will be critical to improve both customer risk experiences and to implement the underlying IT tools that power those experiences."

Key Takeaways

- Insurance CEOs surveyed were almost evenly divided on whether they see generative as more of a risk (49%) versus an opportunity (51%)
- 77% of industry leaders who responded acknowledge that generative AI is necessary to keep pace with competitors
- Investments in gen AI are expected to surge by over 300% from 2023 to 2025 as organizations move from pilots in one or two areas to implementations in multiple functions across business lines
- Only 29% of insurance customers queried said they are comfortable with gen AI virtual agents providing service, with only 26% saying they trust in the reliability and accuracy of advice given by generative AI
- Organizations choosing less-centralized operating models to develop gen AI capabilities can improve business outcomes

by up to 14%

Recommendations

- Build more tailored products with flexibility, advice, and linkage to risk data
- Match those products intelligently to customers' needs
- Address trust issues with strongly ethical, governed AI
- Also use AI to connect the underlying risk data and address long-standing insurer and financial service provider technical debt
- Deploy – and govern – AI across the enterprise with local knowledge experts empowered to connect AI to the insurance value chain

Download the full report here: www.ibm.com/thought-leadership/institute-business-value/en-us/report/insurance-generative-ai

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Methodology

The IBM Institute for Business Value (IBM IBV), in cooperation with Oxford Economics, surveyed 1,000 C-level insurance executives in 23 countries in Q3 2024. 60% of the sample represented pure insurers, 35% bancassurers, and 5% insurance captives of non-financial services and insurance industry organizations selling to the wider insurance market. Participants were asked a range of questions in various formats (multiple choice numerical and Likert scale) about their organization's expectations, results, concerns, and barriers for the use of generative AI in various parts of the organization, as well as relevant technological and business KPIs that allowed a quantitative assessment of the efficacy of these uses.

In the same timeframe, the IBM IBV also surveyed 4,700 insurance customers in nine countries, with a minimum of 900 respondents in each country: Australia, Canada, China, France, Germany, Hong Kong, Japan, UK, and US. Customers were asked a mirror of some of the questions the above executives received on gen AI benefits and concerns, allowing IBM IBV to gauge agreements and gaps in executive and customer perceptions.

The IBM Institute for Business Value, IBM's thought leadership think tank, combines global research and performance data with expertise from industry thinkers and leading academics to deliver insights that make business leaders smarter. For more world-class thought leadership, visit www.ibm.com/ibv.

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