

From experimentation to execution: How insurers are moving beyond AI hype



The insurance industry is entering a new phase of AI maturity—focused on integration, impact, and measurable ROI.

The conversation around artificial intelligence (AI) in insurance has fundamentally shifted. Just two years ago, executives needed convincing about AI's potential. Today, the question has changed from *Why AI?* to *How do we measure the value?* This evolution signals that the industry has moved past the hype cycle into a new phase focused on strategic implementation, tangible outcomes, and measurable return on investment.

In a recent KPMG LLP survey of insurance industry executives, 59% expressed confidence that their organization is a leader in AI adoption compared to industry peers. More significantly, 90% reported that their company's AI budget has somewhat or significantly increased compared to the prior year. This sustained investment reflects growing conviction that AI can deliver concrete business results.

Yet confidence doesn't mean complacency. As insurers accelerate AI adoption, they're confronting challenges beyond technology: legacy systems creating fragmentation, workforce transformation requiring careful change management, and cybersecurity concerns demanding new governance structures. Most critically, organizations must shift from implementing isolated use cases to transforming entire functions.



Pursuing functional transformation

Early AI implementations followed a predictable pattern. Companies built spreadsheets containing hundreds of use cases, then tackled them one by one. While this approach generated quick wins, it rarely delivered transformational impact.

Leading insurers are now taking a different path. Rather than chasing endless use cases, they're exploring how they can make entire functions more efficient. The focus has shifted to understanding workflows, identifying pain points, and applying AI strategically across the value chain.



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The real challenge is the ability to integrate and embed emerging technology into normal business operations. If you're able to embed AI responsibly and strategically, it really shapes the future of your organization.

—Raj Konduru,
Consulting Sector Leader, Insurance, KPMG LLP

This functional approach requires cross-functional teams. In the past, insurers assembled only technologists for AI initiatives. Today, successful organizations integrate business leaders, operations experts, actuaries, and technology professionals from the start. Such integrated teams unite business and technology to create cohesive visions before implementation.

The result is AI deployment that addresses real business problems. In claims processing, AI compresses timelines while improving accuracy. In underwriting, it analyzes vast amounts of data to support faster decisions. In finance, it shifts the function from backward-looking reporting to forward-thinking forecasting and continuous monitoring.

Empowering employees while managing risk

As AI becomes embedded in daily workflows, insurers face a delicate balance: empowering employees while managing risks. The survey reveals that 45% of insurance companies have adopted a philosophy of empowering employees to use AI in their daily work, offering training and support to enable adoption.

This “AI as coworker” philosophy recognizes that technology should augment human capabilities rather than replace them. Employees use AI agents to automate mundane tasks—analyzing data,

generating documents, detecting anomalies—freeing them to focus on higher-value work requiring judgment and relationship-building.

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When we introduce AI agents to take on data gathering and initial recommendations for use by critical business process owners, the impact can be dramatic. At scale, the ability to expedite tasks from hours to minutes—that's the kind of transformation that delivers real value and enhanced customer experiences.

—Sean Vicente,
US Sector Leader, Insurance, KPMG LLP

Addressing cybersecurity in the age of AI

AI's transformative potential comes with cybersecurity implications. As insurers deploy AI, they are expanding their attack surface and introducing new vulnerabilities. The KPMG survey reveals that 59% of executives agree their company is equipped to protect against cyber threats introduced by AI, with an equal percentage increasing budget allocations to address these risks.

However, 37% expressed neutrality when asked whether their company has seen an increase in cybersecurity attacks directly resulting from AI

efforts—suggesting many organizations are still assessing AI-related security challenges. Just over half (52%) agreed their company has an information lifecycle management program that accounts for data generated by AI, indicating room for improvement in governance.

Addressing these concerns requires establishing trusted frameworks with clear guardrails around data location, access controls, and AI governance—essential for heavily regulated insurers to capture AI's benefits while managing risk appropriately.

KPMG. Make the difference.

To help insurers navigate AI adoption and innovation, KPMG takes a cross-functional approach. We help insurers move beyond isolated use cases to functional transformation, empower

employees while managing risk, and build trusted frameworks that enable innovation. Together, let's shape the future of insurance by turning AI's promise into performance.

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