Skills-first strategies: Adapting talent management for the AI era

Affordability pressures and rapid AI advancements are disrupting insurers' workforce management strategies and the HR functions that implement them.

The affordability crisis facing the insurance industry is compelling companies to aggressively seek ways to control costs. Workforce productivity is high on the agenda, with nearly all insurers asking *How can we create more value with less of people's time?*

Any conversation about workforce productivity in insurance will include artificial intelligence (AI). As in many industries, insurance is embracing AI—albeit with the proper measure of caution.

In many cases, these organizations are still relying on business processes developed based on legacy systems that are now decades old. The result is "process debt" that has accumulated over time. Within most companies, multiple, manual, and/or often tedious processes continue simply because "that's how it's done." AI presents an opportunity to clear much of that process debt, uncovering efficiencies, increasing agility, and generating new forms of value. Even so, an AI-enabled transformation can have disruptive effects on human capital management strategies—and your workforce.

AI is emerging as "digital labor" within the workplace. That's prompting insurers to redefine job roles, which is leading to job consolidation, creation of new positions, and integration of digital "teammates" on organizational charts. Ultimately, insurers must re-examine whether they're pursuing the right talent in the right places.

Recent insights from the KPMG LLP Insurance Industry Outlook Survey underscore this evolution. Notably, 42% of insurance companies plan to hire a Chief AI Officer within the next 12 months—a clear indication of the critical role AI is playing in organizational strategy and leadership.

> **If you bring AI to one job, you change that person's job. But when you add AI to multiple jobs, you have to pause and consider the impacts. Foundationally, this is about organizational change. It forces you to consider how you design things like org charts, processes, oversight and review, and training around a hybrid workforce that must deliver quality outcomes at greater value to the organization or your customer.**
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> *–Sean Vicente,*
> *US Sector Leader, Insurance, KPMG LLP*

Insurers are also dissecting their employee upskilling and reskilling strategies—along with the capabilities essential to executing on those strategies. For example, many are reconsidering college degree requirements. They're adopting a skills-first hiring approach that emphasizes the importance of diverse and adaptable skill sets over rigid job definitions. In other words, they're pivoting to hire, promote, or train for the skill that's required rather than for a role rigidly defined by a job title or a degree credential specialized in one business area.

The shift to skills-first hiring is a recognition that human-AI hybrid workplaces necessitate effective communication, problem-solving, project management, and analytical skills—strengths that may not be reflected in a college degree alone.

Additionally, the survey highlights that 75% of companies are prioritizing the hiring of talent with cybersecurity and risk management skills. This focus reflects the industry's acknowledgement of the increasing importance of safeguarding digital assets and managing ever-evolving threats. At the same time, many insurers are placing greater emphasis on soft skills, such as empathy. And at all levels of the organization, there's greater focus on developing leadership skills.

HR leaders must not only react to AI but also embrace it. The same technology driving disruption is also the key to addressing it. AI is helping employers gain clarity on the skills required to achieve their mission, identify gaps between current workforce capabilities and future needs, and more accurately assess the skills of prospective employees.

> **Managing a digital workforce is a new proposition, but at the end of the day, some of the same questions remain, 'Are these digital agents that we're putting in place delivering what we want them to? How do we adapt them to evolving customer and regulatory expectations?**
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> *–Sean Vicente,*
> *US Sector Leader, Insurance, KPMG LLP*

Another significant change: HR is quickly becoming responsible for managing the digital workforce in addition to the human one. Even though AI systems can involve complex technologies, HR leaders cannot cede oversight of the digital workforce to IT. HR's purpose—to support, develop, and align the workforce and its skills with the company's mission—spans the human and digital workforces. Organizations need to manage AI agents centrally, with these "workers" selected, onboarded, trained, given access, managed, and evaluated in much the same way as human workers.

If the disruption for HR leaders is significant, it's even more so for the human workforce they oversee. In almost every company, the greatest impediment to successful AI adoption isn't a budget, data, or technology challenge; it's humans. The success of any AI initiative relies on employees at every level choosing to support it. They can be allies who contribute their insights and experience to help ensure success, or they can be obstacles who reduce its value and potentially lead to failure.

> **The companies we see succeeding are the ones really listening to their employees. And I don't mean just looking at an employee survey—I mean really looking at your feedback mechanisms to hear the messages early and often.**
>
> *–Kelly DiCuffa,*
> *Managing Director, Human Capital, KPMG LLP*

Companies succeeding with AI are building an AI-ready culture by listening to employees and involving them from the beginning. In these organizations, any AI implementation is done with them, not to them. By engaging teams to understand their daily challenges and needs, organizations are more likely to implement AI tools that are more relevant and that enhance employee experience. Improving employee experience is a key strategy to retain talent and reduce both the cost and productivity loss associated with attrition. It's also a prerequisite for maximizing the return on investment while meeting organizational demands.

KPMG. Make the difference.

At KPMG, we help insurers adapt by leveraging AI and prioritizing essential skillsets, such as cybersecurity, to build resilient and agile organizations. By fostering an AI-ready culture and listening to employee feedback, insurers can thrive.

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