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GenAI in Insurance: A Roadmap for Digital Transformation

Introduction

Today's insurance industry is undergoing a digital transformation fueled by advanced technologies, chief among them Generative AI (GenAI). GenAI has emerged as a driving force for innovating operations and delivering enhanced value across the insurance value chain.

A recent EY study revealed that insurers around the world are already investing or making plans to invest in GenAI.[1] Most respondents (69%) are prioritizing use cases to transform a specific part of the value chain, such as underwriting and distribution, with an emphasis on quick wins.[2] Many are looking for productivity gains and cost savings, while others are focusing on GenAI adoption for efficient claims processing and fraud detection.[3] Underwriting optimization and customer engagement round out the list of carriers' desired outcomes. But large-scale adoption of GenAI is not without risks, as regulatory uncertainty and the ability to secure sensitive data remain chief concerns for insurers. To allay these concerns, strong, top-down leadership must first provide a vision of a GenAI-based culture, and what can be achieved once it is firmly in place. However, this is only the first of five important milestones on an organization's GenAI roadmap. A GenAI roadmap is necessary to help company stakeholders understand the magnitude of a GenAI transformation, and set clear targets and guiding principles to illustrate the path and desired outcome.

1 "How to revolutionize the insurance value chain with generative AI," EY, May 14, 2024
2 Ibid.
3 "GenAI Will Write the Future of Insurance Claims," BCG, December 2023

Setting the GenAI Course

Establishing management vision

From the outset, a large-scale transformation requires a firm commitment from senior management to the necessary investments and setting clear, appropriate targets. Senior leadership must also align GenAI initiatives with transformation goals. External benchmarking can assist in this process, as well as setting clear targets from the start to prevent back-sliding during difficult times. It also imposes discipline on the process of deciding which initiatives to pursue for maximum impact.[4]

Building data governance

Another early effort involves building data governance by establishing robust frameworks for data quality, security, and compliance. As GenAI initiatives are outlined and implemented, it's key that this new infrastructure is established and takes hold across the organization.

Infrastructure readiness

Closely tied to building data governance, infrastructure readiness involves investment in scalable computing resources, including cloud and hybrid models. Conducting a thorough assessment of organizational readiness and the maturity of current capabilities is another important step in this process.[5] As GenAI adoption expands across the value chain, cross-functional teams should be continually supported by senior-level sponsors.[6]

Developing talent and training

An important step that should be taken early in this process is identifying a Chief Digital Officer (CDO) to coordinate and lead the company's GenAI initiatives and transformation.[7] This includes ensuring that the appropriate technology and skills are in place, determining the sequence of the transformation, monitoring progress, and ensuring that tactical day-to-day priorities get the attention they need.[8] The CDO should also assemble members of the launch team, including designers to contemplate customers' unmet needs and inform the creation of experiences, products, and services; data scientists; scrum masters to facilitate agile development; and developers who can work in the modern IT environment.[9] Other CDO tasks should include developing larger cross-functional teams, fostering a culture of innovation, and constructing systems as well as human skills as part of the greater buildout.

Incremental deployment

Incremental deployment includes developing pilot projects and scaling successful implementations, while continuing to define measurable business outcomes and KPIs. Senior business leaders should contribute to ongoing GenAI development plans with target objectives for key business outcomes, such as reducing expense or loss ratios, over specified timeframes.[10]

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4 "A Roadmap for a Digital Transformation," McKinsey & Co., March 2017
5 Op. cit., EY, May 14, 2024
6 Ibid.
7 Op. cit., McKinsey
8 Ibid.
9 Ibid.
10 Op. cit., EY, May 14, 2024

Transformation Growing Pains

Organizational growing pains are inevitable in a large-scale transformation, as it involves a fundamental rethink of the corporate model. Seamlessly embedding GenAI within existing legacy systems is by itself a challenge, and GenAI technology also presents new data privacy and security issues. As a result, organizational leaders need to ensure ongoing compliance with new and changing regulatory standards.

To ease personnel resistance, companies need to implement comprehensive training and change management programs to nuture a new, digital culture throughout the organization. To facilitate an easier integration, IT needs to focus on APIs and modular platforms, while employing advanced encryption techniques for robust data security. Organizational leaders also need to keep looking toward operational sustainability, factoring in improvements in productivity, accuracy and quality, as well as cost savings. IT also needs to continuously test the performance of GenAI applications via random control trials and other statistical methods, to accurately track progress against target objectives.[11]

Looking to the Future

As GenAI continues to mature, its potential to redefine the insurance landscape will grow as well. Emerging capabilities like real-time risk modeling and autonomous insurance offerings will further enhance the industry's ability to meet evolving customer needs. And while insurers fine-tune and mature their use of GenAI, they should also enhance governance and policies in line with their needs and shifting regulations. Continuous monitoring of the regulatory landscape is essential.

Conclusion

The integration of GenAI in insurance represents not only a technological advancement but also a strategic imperative. By following a five-step, structured roadmap, insurers can harness GenAI's transformative potential to streamline workflows, enhance customer satisfaction, and accelerate technological change to drive sustainable growth.

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11 Ibid.

About Sapiens
Sapiens International Corporation (NASDAQ and TASE: SPNS) is a global leader in intelligent insurance software solutions. With Sapiens' robust platform, customer-driven partnerships, and rich ecosystem, insurers are empowered to future-proof their organizations with operational excellence in a rapidly changing marketplace. We help insurers harness the power of AI and advanced automation to support core solutions for property and casualty, workers' compensation, and life insurance, including reinsurance, financial & compliance, data & analytics, digital, and decision management. Sapiens boasts a longtime global presence, serving over 600 customers in more than 30 countries with its innovative SaaS offerings. Recognized by industry experts and selected for the Microsoft Top 100 Partner program, Sapiens is committed to partnering with our customers for their entire transformation journey and is continuously innovating to ensure their success.

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