



Unlocking AI value in insurance

A leader's guide to
AI-enabled transformation



Foreword

Imagine a world where most risks are prevented before they occur. Where AI agents continuously assess, mitigate and transfer risk on behalf of individuals, businesses and communities. Where protection is embedded into everyday life and most insurance interactions happen without a customer ever filing a claim. In that world, success is no longer measured by how quickly claims are processed or how efficiently policies are administered. Value comes from predicting uncertainty, preventing loss, deploying capital intelligently, and creating trust in an increasingly autonomous economy. The insurers that lead the next era will likely look very different from those that dominate today — some may not even resemble insurance companies at all.

This future is taking shape now. Consider some real-world examples. Aviva plc detected more than 18,400 suspect claims worth £233 million (US\$317 million) across its brands in 2025, equivalent to more than £638,000 (US\$865,000) of fraud detected everyday thanks to its investment in data, analytics and AI-enabled tools, supported by human oversight.¹ I have also noted insurers using AI to automate claims, reducing processing and settlement time, moving some claims from several days to one day (or even hours) while freeing claims professionals to focus on more complex and sensitive cases.

These examples show that AI is moving from experimentation into the operational value chain of how insurance is managed and administered. It is increasingly embedded across underwriting, claims management, fraud detection and customer interaction. And the direction of travel for the industry is clear: AI can help insurers enhance products, improve processes, analyze data, connect dots and address rising customer expectations for faster, simpler and more responsive service.

Frank Pfaffenzeller
Global Head of Insurance
KPMG International



¹ Aviva stops record levels of claims fraud as scams become more sophisticated, Aviva plc, June 2026

The challenge is building the data, governance, and operating model needed to deploy AI with confidence and at scale. The leaders of tomorrow will be those who invest in trusted, accessible, and well-governed data. By strengthening data quality and readiness now, insurers can move beyond efficiency gains to transform underwriting, claims, distribution, finance, and customer engagement. In an AI-enabled future, insurers that get their data right will be best positioned to realize its full potential.

Despite this, the broader insurance industry picture remains uneven. As this report reveals, 77 percent of insurance executives we surveyed believe that failing to respond to AI will undermine competitiveness within five years. At the same time, 71 percent say they primarily use AI for content generation or automating routine tasks, and nearly half of AI budgets are being directed toward operational and back-office efficiency, compared with just 5 to 10 percent toward new products or revenue-generating opportunities.²

That disconnect is the heart of the challenge. Insurers are investing, experimenting and scaling use cases. But many are still working through a more difficult question: **How will AI change the kind of insurer they need to become?**

This report, based on surveys with insurance executives, is intended to help insurers move from activity to transformation. Drawing on a survey of insurance leaders across 20 countries, it explores where insurers are making progress, where they are falling short, and what separates meaningful transformation from incremental improvement.

What the report finds is that technology alone is rarely the differentiator. The organizations making the greatest strides are those with a clearer vision of the future, stronger alignment across leadership teams, more mature data foundations, clearer accountability and a deeper understanding of how AI can create value across the enterprise. My interpretation of the data suggests that the insurers that will lead the next decade will be the

ones with the ambition to challenge legacy thinking, the discipline to make clear choices, and the commitment to follow through.

I encourage you to use this report to drive real change within your own organization. My hope is that it challenges assumptions, sparks new ideas and helps your leadership team identify practical actions that move you from experimentation to transformation. And if any part of it raises questions specific to your business, I welcome you to reach out to your local KPMG team directly to discuss further.

² Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

Executive summary

Insurers are moving fast on AI. Everyone is busy trying to set up pilots, scale use cases, and build agents. Significant investments (and big announcements) are being made. And incremental gains are being achieved. Yet few insurers seem to be translating all that activity into real transformational ambition and outcomes.

Opportunity is everywhere, and the marketplace is evolving quickly. Fast-moving competitors are already using AI to disrupt the competitive landscape and develop new differentiators and advantages. They are responding to pressure from policyholders and brokers to make their lives easier, to speed up their routine interactions, and to bring them new ideas and insights based on their unique situations. And they recognize that new competitors could rapidly disintermediate them from key interactions if they don't move quickly to respond.

In this environment, transformation is an absolute necessity. Yet the path from investment and action to real transformation is not being successfully managed by most insurance executives. That is why we created this report.

Written for C-suite executives and senior decision-makers responsible for helping their insurance organizations thrive in the future, this report draws on a recent survey of insurance leaders across 20 countries as well as research from the Transforming the Enterprise 2026 report among senior transformation leaders. Informed by KPMG firms' work with insurers around the world and the perspectives shared through this research, we explore a simple question: **How can insurers use AI to truly transform their organizations?**

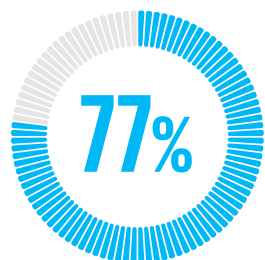
This report lays out a practical approach to help insurers answer that question. We encourage you to explore the models and approaches presented and consider what the next horizon may look like for your organization.

This report offers:

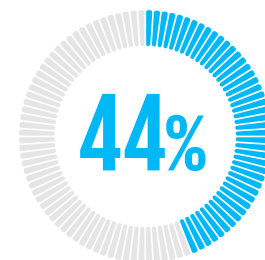
- A framework to help you envision investments and what is needed across the three horizons of AI-enabled transformation
- A vision for keeping your customers at the core
- A sequenced roadmap to go from customer journeys, process and data all the way to KPIs
- A clear approach for moving from ambition to action

Key findings

Looking toward the horizon



say they believe failing to respond to AI could undermine competitiveness within five years



believe they're in the top **25%** of insurance AI leaders

Taking leaps, not strides

71%

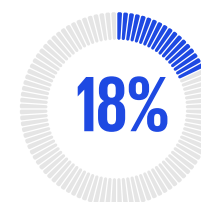
use AI mainly for content generation or automating routine tasks

≈ 50%

of AI budget goes to operational and back-office efficiency, versus just **5-10%** to new products or revenue-generating opportunities

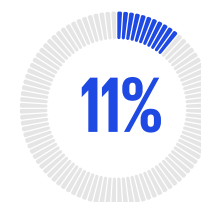
Avoiding the stumbling blocks

Vision



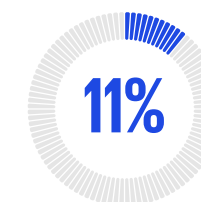
have a **clear view** of how AI will enable their strategy and vision with leadership aligned on execution

Metrics



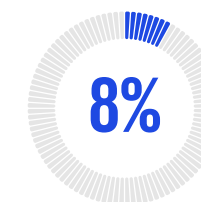
describe their view of **AI's return** on investment as very clear

Data



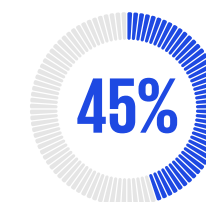
claim a **strong data foundation** and governance

Workforce



rate their workforce as **highly proficient** with AI tools

Accountability



of insurers place **AI ownership** with the technology function alone



The data shows that 44 percent of insurers think they are AI leaders yet just 11 percent claim a strong data foundation and governance. That suggests a notable gap between AI vision and reality.”

Matthew Smith

Global Lead for Insurance Strategy and Transformation and Partner
KPMG in the UK

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Embracing the opportunity

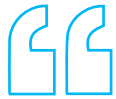
Insurers recognize that AI is both the disruptor and the enabler of future growth. Not surprisingly, they are making the adoption of AI a top priority.



Everyone thinks they are leading

According to the 2025 KPMG Insurance CEO Outlook, 73 percent of insurance CEOs now rank AI as a top investment priority. Sixty-seven percent expect returns from their AI investments within one to three years, and a further 67 percent plan to allocate 10 to 20 percent of their budgets to it.³

Buoyed by high levels of investment, sharp executive focus and a pinch of internal hype, it is perhaps not surprising that insurance executives are bullish about their progress versus their competitors. However, our data suggests that some may be overestimating their progress. Indeed, 45 percent of our respondents claim they sit in the top quartile of AI transformation. Nobody saw themselves as significantly lagging.

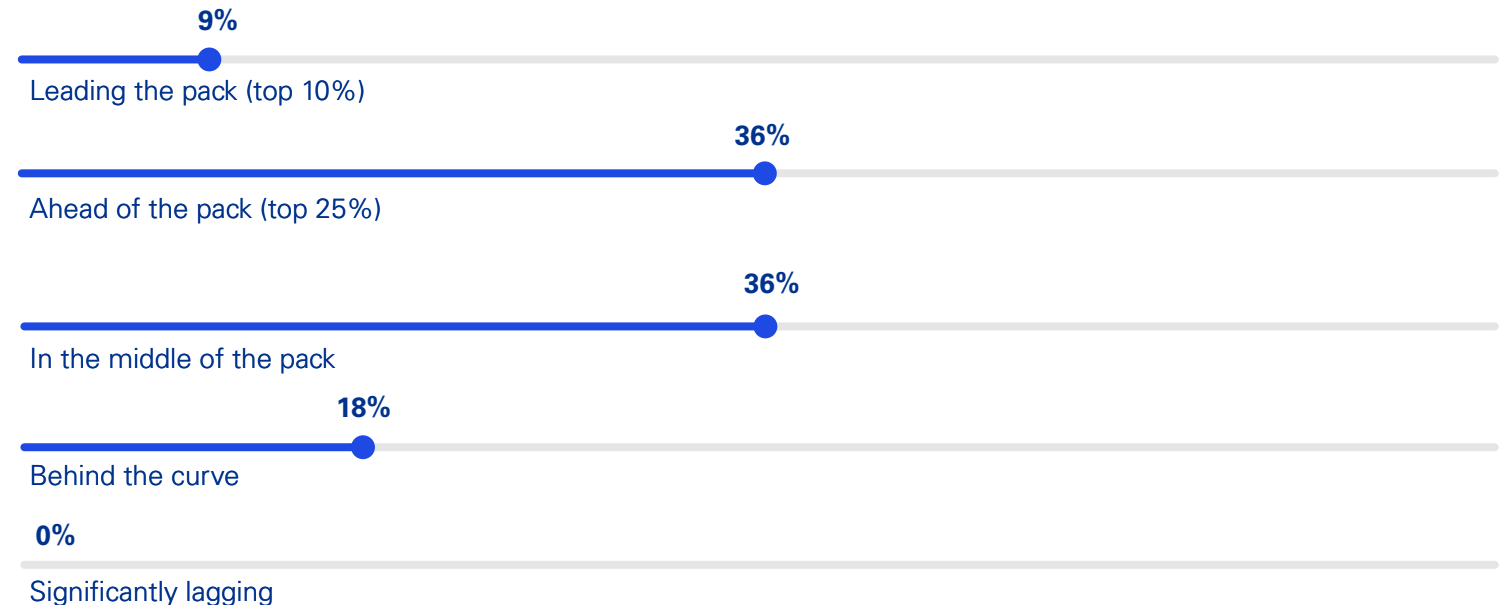


Insurers across all subsectors and geographies recognize that AI is rapidly changing both the way customers interact with insurance companies and the way that insurance companies deliver services to those customers. CEOs recognize that AI is becoming an important catalyst for change across the sector. And they are pouring resources into keeping up with their peers and organizations making progress across other industries.”

Matthew Smith

Global Lead for Insurance Strategy
and Transformation and Partner
KPMG in the UK

Self-assessed position in AI transformation



Base: 44

Q1: Where would you position your organization in AI transformation relative to peers?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

³ 2025 Insurance CEO Outlook, KPMG International, 2026

“Insurers compare themselves to each other or to banks, so everyone thinks they look relatively fine,” notes Ilanit Adesman-Navon, Global AI Lead in Insurance and Head of Insurance and Fintech, KPMG Israel. “AI maturity and orchestration are further along and the picture looks very different.”

Which begs the question: **How do other sectors rank themselves? Is optimism universal?** While our survey included insurance leaders, KPMG International’s recent report, *Transforming the Enterprise*, asked a broader population of executives how they felt about their transformation performance. Just 14 percent said they consider themselves top performers relative to industry peers. Fewer than one in three think they have achieved meaningful enterprise-wide impact with their transformation efforts.⁴

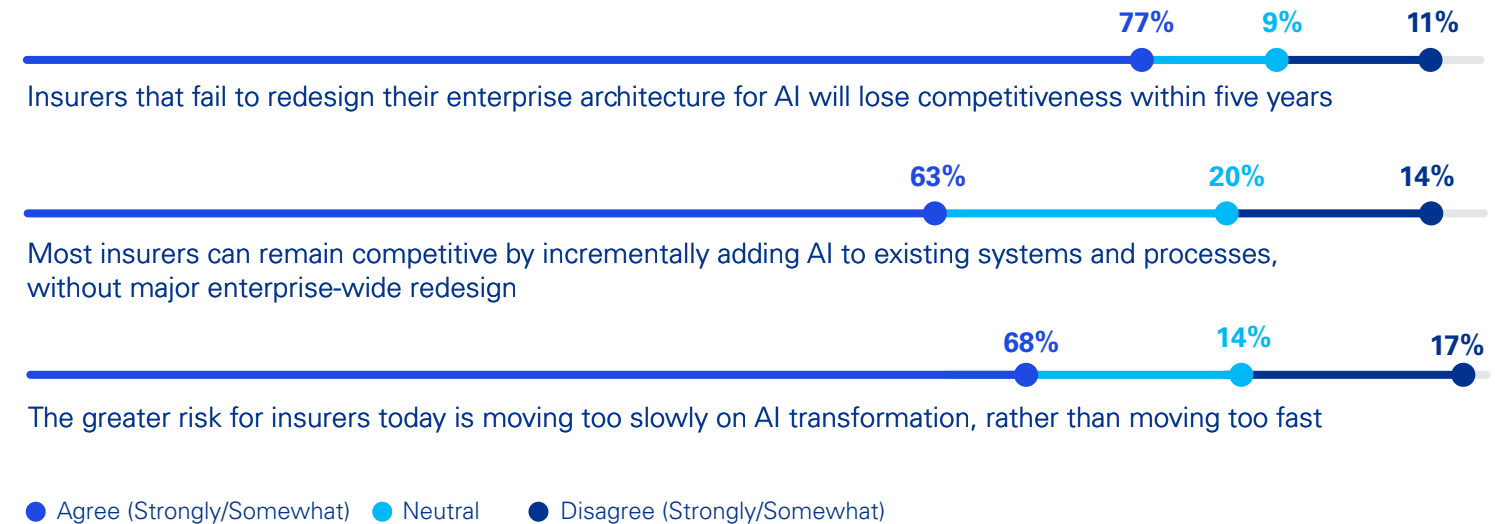
“Confidence is easy to manufacture and hard to verify,” says Mark Longworth, Global Lead for Insurance Advisory and Partner at KPMG China. “Every insurer I talk to believes they’re ahead of the pack. That confidence is the risk. It can stop them from seeing that their bigger threat comes from a company much further ahead than they are.”

Nobody wants to be left behind

What is clear is that AI-driven change is coming to the insurance industry. And it is coming quickly. In our survey, more than three-quarters (77 percent) of insurance executives told us they believe that failure to respond to AI will undermine their competitiveness within the next five years. More than two-thirds go even further, saying that the greater risk today is moving too slowly on AI transformation versus moving too fast.

⁴ *Transforming the Enterprise*, KPMG International, 2026

Insurers recognize the urgency of transformation, but are divided on depth of transformation



Base: 35

Q19. To what extent do you agree or disagree with the following statements about AI and competitiveness in the insurance industry?
Source: *Unlocking AI value in insurance. A leader’s guide to AI-enabled transformation*, KPMG International, September 2026

“Some insurers have historically believed that the sector’s significant regulatory requirements provide a buffer against major disruption,” says Huw Evans, Partner and Head of Insurance at KPMG in the UK. “The pace and range of technological change make those assumptions unsafe, not least against competitors who do not want to follow traditional insurance models in the first place.”

Perhaps not surprisingly, insurers are quick to name the usual industries when asked who is likely to disrupt their

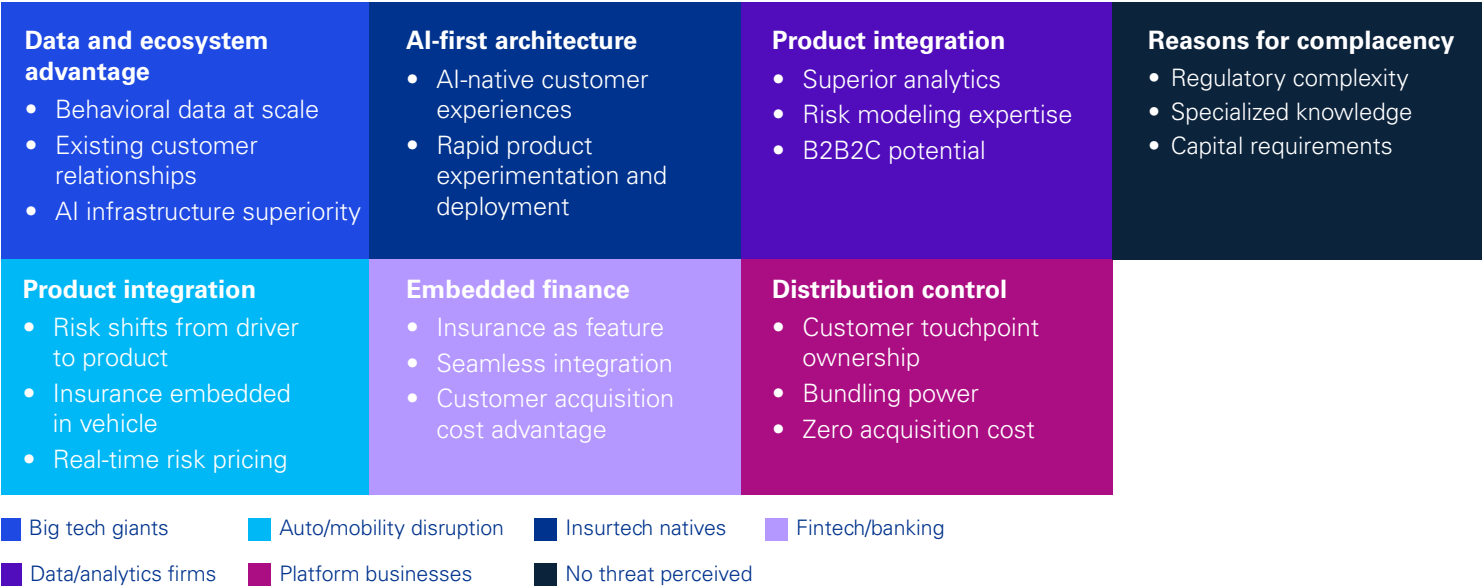
future business models — big tech, auto/mobility and insurtech natives, for example. Each brings something to the table that insurers may feel they don’t have access to: behavioral data, real-time pricing, or AI-first architecture without a legacy platform to slow it down, for example.

However, experience suggests that the competitors insurers should worry about most may not be any of the names already on their radar. They may not even resemble an insurer, an insurtech, or a technology company at all.

“The real threat is whoever has cheaper capital and better data,” says Matthew Smith, Global Lead for Insurance Strategy and Transformation and Partner at KPMG in the UK. “Pension funds and large corporates with strong balance sheets no longer need a traditional insurance policy to take on risk, provided the data is good enough to model it themselves. That’s a bigger threat than any point solution insurers can already see coming, because it bypasses the industry’s business model rather than competing inside it.”

The real disruptors may be the organizations that combine strong data with lower-cost capital. If AI makes risk more predictable, they may be able to take on more risks that insurers have traditionally managed, reshaping the industry’s role in the process.

Perceived competitive threats to the insurance industry



Q20. Are there any organizations or sectors outside traditional insurance that pose a threat to your business model through AI capabilities?
 Source: Unlocking AI value in insurance. A leader’s guide to AI-enabled transformation, KPMG International, September 2026

Reflection questions

- Where could AI help us create new sources of value for customers, distributors, partners, or employees beyond improving efficiency?
- Does our AI investment allocation match our stated growth ambition, or does it only fund efficiency?
- Where could we use AI to strengthen our role and position in the industry? Where could AI help us compete in ways that would not have been possible five years ago?
- Are we clear on which parts of our value chain create the greatest value for our business and our customers, and do we have a plan to win in those areas?
- How quickly could we redeploy capital if new opportunities for rapid and disruptive transformation emerge? Have we understood the true cost of AI?

Taking leaps, not strides

Insurers report making strong progress integrating AI into their key business functions. But the results suggest they are only achieving incremental outcomes.



The evolution is already underway

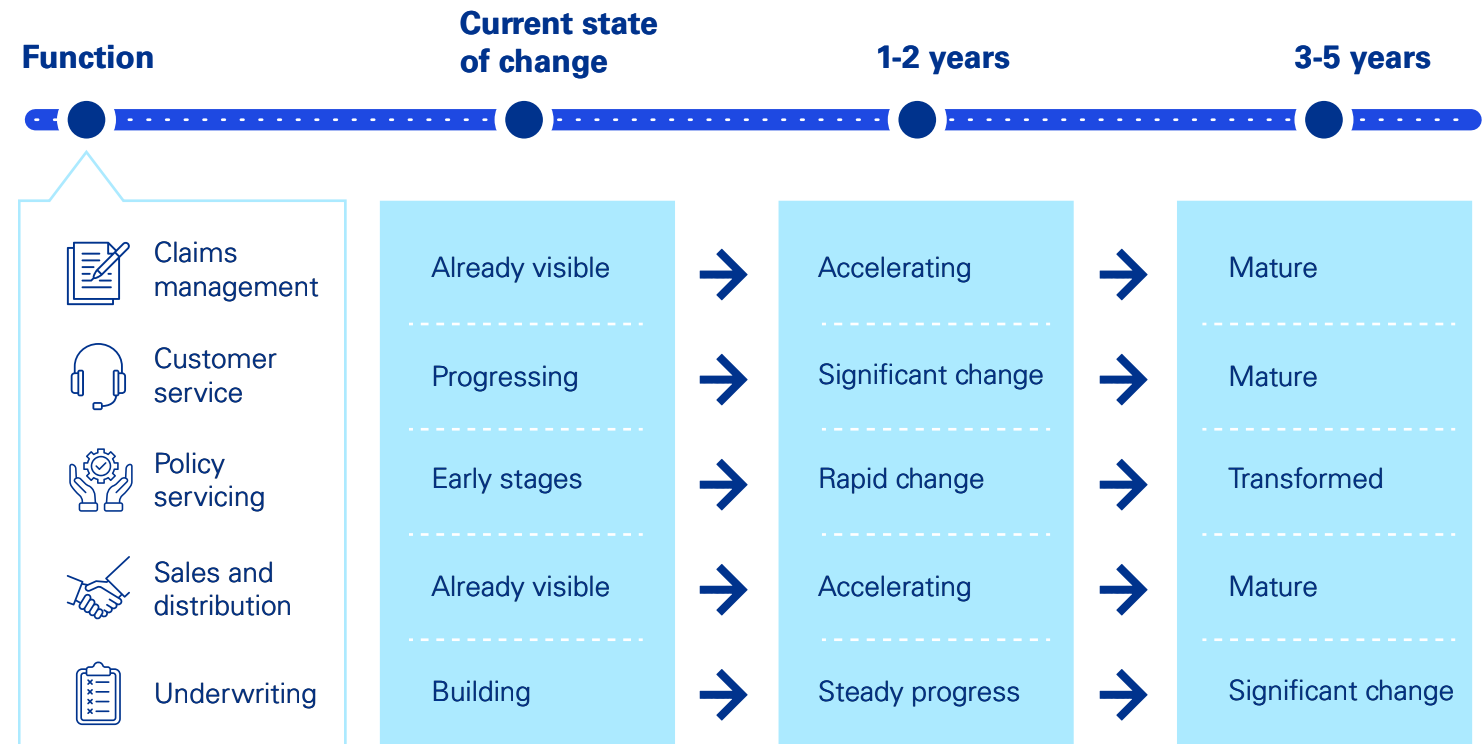
Ask most insurers and they will tell you that they are already seeing visible change in claims management, as well as in sales and distribution. Expectations are that the change trajectory will only accelerate over the next two years.

“Claims and distribution are the easiest places to show progress, because the wins are visible fast,” notes Sean Vicente, Sector Leader for Insurance at KPMG in the US. “That’s exactly why boards should be cautious about declaring victory there. Visible progress in the easiest functions tells you very little about readiness in the harder ones.”

When it comes to core processes and areas of differentiation, the survey indicates that insurers may be moving somewhat slower. Most say they are only in the early stages of implementing AI into their policy servicing function. Progress in underwriting is building, they say.

“Underwriting moving cautiously is not necessarily a bad instinct,” adds Huw Evans, Partner and Head of Insurance at KPMG in the UK. “It is central to business profitability and one of the few functions where a rushed redesign is genuinely expensive.”

Transformation timeline: Expected pace of AI-driven change, by function



Q8a. Rank these core insurance functions from 1-4 based on where you think AI can generate the greatest potential value for your organization.
Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

Activity is outpacing value

The problem is that, while insurers are actively investing in AI and pursuing a range of initiatives, our survey finds that few are yet using these efforts to drive the transformation required to compete effectively in an AI-enabled marketplace.

Today, the vast majority — 71 percent — say they primarily use AI to assist with content generation or to automate routine tasks (thereby gaining pace but not changing much). Similarly, 57 percent say they have created agents or decision-support engines for underwriting (codifying their knowledge but still not transforming how things get done). Just 29 percent say they are running front-to-back processes through AI agents or automation.

“Seventy-one percent using AI mainly for content generation tells you where the industry is,” observes Sean Vicente, US Sector Leader for Insurance at KPMG in the US. “That’s an efficiency story, not yet a transformation story. Those gains are worth banking, but claiming credit for reinvention on the back of incremental productivity gains undersells what the technology can do.”

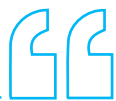
Insurance subsectors pursue different AI value propositions

	Implementation focus	Transformation focus
Property & casualty and auto insurance	<ul style="list-style-type: none">• Mature adoption: 33 percent at operational adoption stage• 40 percent expect significant role elimination in claims by 2029	<ul style="list-style-type: none">• Claims and operational efficiency are primary focus• Investment allocated primarily to operational and back-office
Life insurance	<ul style="list-style-type: none">• Underwriting consistently ranked as top priority• Higher reported focus on data platforms and analytics	<ul style="list-style-type: none">• 38 percent building proprietary solutions (vs 20 percent property & casualty)• Highest data platform investment: 25-30 percent of AI spend• Longer horizons: 3-5 year transformation timelines
Brokers	<ul style="list-style-type: none">• Lowest AI confidence: 71 percent report “limited clarity” on ROI• Highest vendor reliance: 86 percent using external solutions	<ul style="list-style-type: none">• Sales and distribution emphasis• Minimal claims/underwriting involvement
Health insurance	<ul style="list-style-type: none">• Leadership position: 60 percent at operational adoption or scaling• Highest customer-facing investment: 40 percent of AI spend	<ul style="list-style-type: none">• Customer experience and service orientation• Prioritization of member engagement
Reinsurance	<ul style="list-style-type: none">• Highest ROI clarity: 75 percent “somewhat clear”• Data-driven culture facilitates adoption	<ul style="list-style-type: none">• Portfolio-level risk assessment and analytics• Less customer-facing pressure
Multiple lines	<ul style="list-style-type: none">• Low organizational alignment across functions and departments• Competing priorities across business lines• Resource allocation conflicts	<ul style="list-style-type: none">• Coordination challenges across business units• No clear unified strategy

Base: 43
Source: Unlocking AI value in insurance. A leader’s guide to AI-enabled transformation, KPMG International, September 2026

Organizations are not hiding the fact that they are primarily focused on driving cost and efficiency outcomes. More than nine in ten say AI is helping them unlock improved productivity and reduce operating costs. Just one in four say they are using the technology to drive new revenue opportunities through new products, services and AI-enabled offerings.

Investment patterns suggest a similar incremental focus on transformation. Consider this: our respondents tell us that nearly 50 percent of their AI budget is being allocated to operational and back-office efficiency while just 5-10 percent is being used to develop new products and revenue models. That suggests a much greater focus on quick-win, siloed pilots without any meaningful change to the underlying business or operating models.



Insurers are investing into cost and efficiency plays hoping that they will also deliver some growth transformation advantage. The problem is that the two rarely happen hand-in-hand without careful planning and a balanced approach to the transformation.”

Erik Bleekrode

Head of Insurance for the Asia Pacific (ASPAC) region and Partner
KPMG China

Where transformation efforts are currently focused

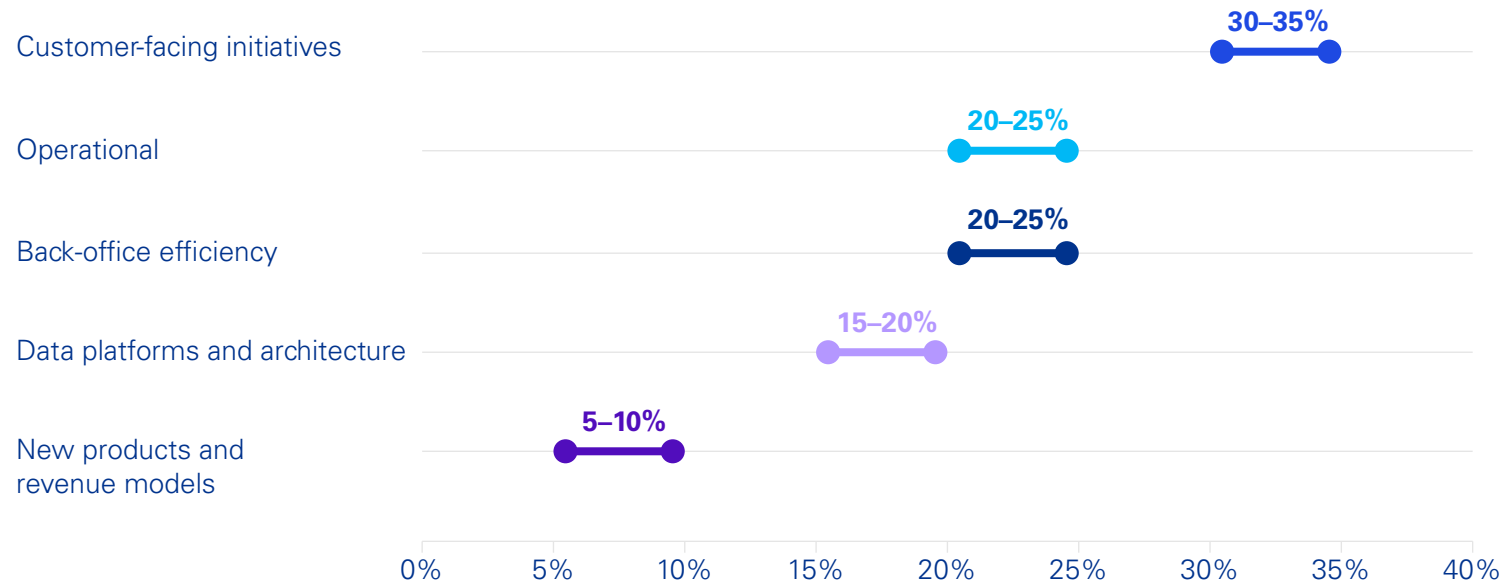


Base: 36

Q9. What type of transformation is AI driving in your organization today?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

Transformation focus skews on efficiency over innovation



Base: 36

Q10. To the best of your knowledge, how is AI investment currently distributed across the following areas?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

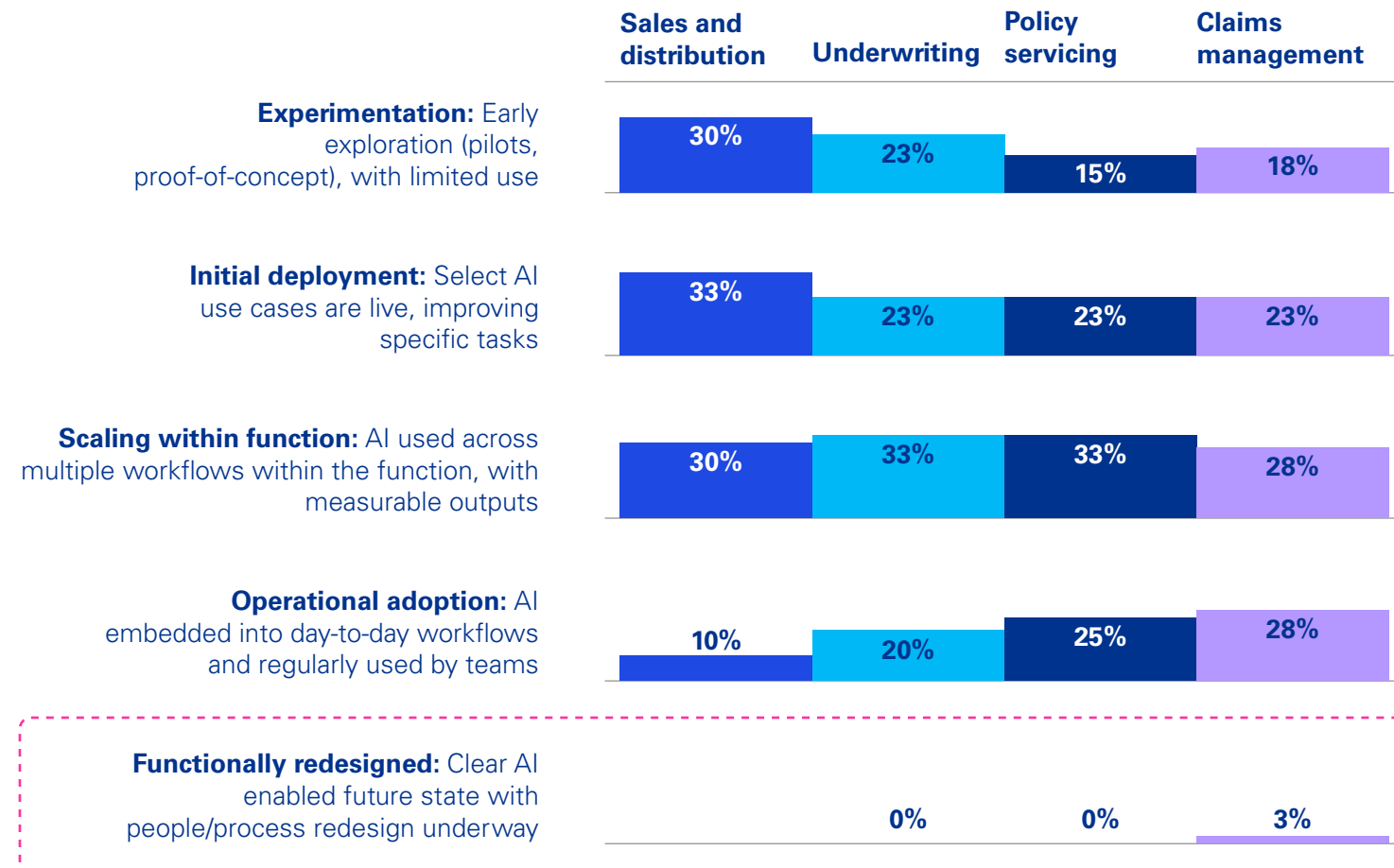
In some cases, this focus on incremental improvements over transformative change comes down to the perceived pace of disruption and the urgency to respond. "In Asia-Pacific, some insurers have tended to wait for proof before committing to a response, and that instinct has served them well operationally," explains Erik Bleekrode, Head of Insurance for the ASPAC region and Partner at KPMG China. "In other markets — such as China and India — some insurers are moving rather quickly and, in some cases, establishing best practices not only for Asia but for the world."

Progressing the process not the design

A gap is emerging between ambition and reality. Earlier in this report, we noted that respondents claimed strong progress adopting AI in claims management. Yet just 3 percent of respondents say they are even in the process of functionally redesigning their claims management. The vast majority say they are still embedding AI into their day-to-day workflows.

Ultimately, insurers have proven they can launch AI use cases. The harder question is whether they can use it to change how the business works, not just how busy it looks.

Functional redesign lags adoption



Base: 39

Q7. For each core customer-facing function below, indicate your organization's current AI implementation stage.

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

Reflection questions

- Which of our current AI use cases could we elevate to more than an efficiency play?
- Are we measuring AI success by adoption, or by an actual change in cycle time, cost, or customer outcome?
- Do we have one function-by-function view of where AI has been deployed, or is that knowledge scattered?
- How is our operating model enabling or preventing enterprise transformation? Where are we able to scale across the enterprise?
- How are our transformation initiatives creating value? Where may it create complexity?

Avoiding the stumbling blocks

Investment continues to flow and dashboards continue to fill with adoption metrics. Yet the gap between ambition and outcome keeps widening rather than closing.

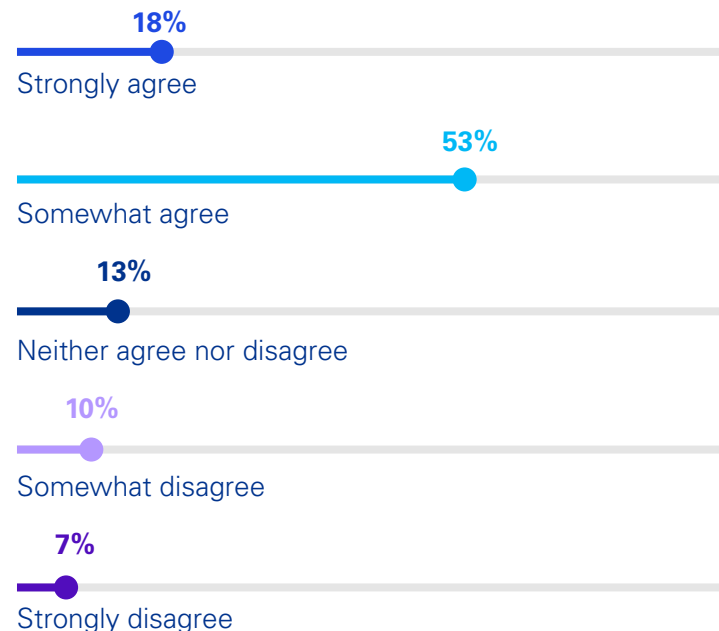
Our research points to five distinct, compounding challenges sitting underneath that gap, each reinforcing the others. Together, they help explain why many organizations have yet to achieve the level of transformation they aspire to from their AI investments, and why fixing one challenge in isolation rarely moves the needle on its own.

1. The vision isn't translating

Just 18 percent of insurance leaders say they have a clear view and executive alignment around how AI will enable their strategy and vision. In our open-ended questions on vision, responses were notably vague. Few were able to offer an example of insurance business model transformation using AI. Those that did answer provided ambiguous statements like “use AI internally and externally” or “be more efficient”.

18% of insurance leaders say they have a clear view and executive alignment around how AI will enable their strategy and vision.

AI vision is not always aligned across the organization



Base: 41

Q4a. To what extent do you agree or disagree with the following statement about your organization's approach to AI? Our organization has a clear AI strategy and vision, with leadership aligned on how to execute against it.

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026



Any carrier can produce a vision statement in an afternoon. Very few can walk you through what specifically changes in underwriting, claims and distribution to get there. That gap can't be closed through tech alone — it requires clear business design, robust data, strong business architecture and reimaged processes and ways of working.”

Jacques Cornic

EMA Lead of Insurance and Partner
KPMG France

2. The metrics aren't clear

Realizing value from AI is only part of the challenge; measuring that value can be equally complex. Without clear objectives and measures of success, many insurers find it difficult to quantify value and make informed decisions about where to focus their investments going forward.

Indeed, the data reveals that many insurers are still developing their ability to measure and articulate the transformative value of AI. Only 11 percent describe their view of AI's return on investment as very clear. Twenty-three percent say clarity is limited or absent altogether.

The data suggests that enterprise-level success is currently being measured by activity, not outcome — a pattern the industry has seen before in its own fintech and insurtech pilots.

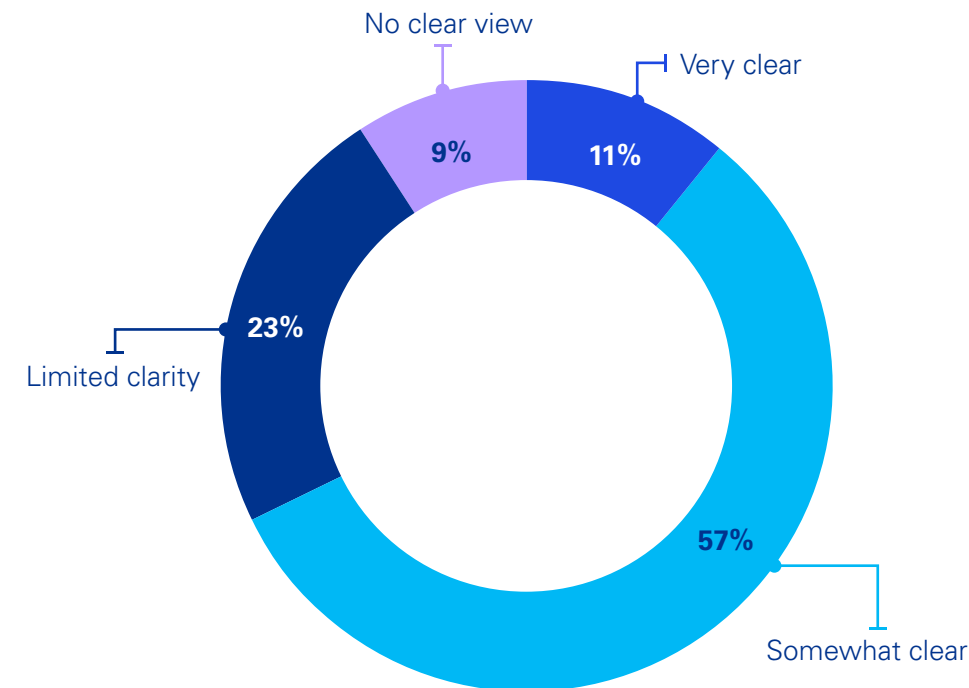


A common mistake is measuring how much you saved on people cost. That's the wrong way to measure the success of AI, because it anchors the whole business case to headcount instead of to the outcomes AI was meant to improve, like time to market of new products, new streamline of revenues or a lower loss ratio."

Ilanit Adesman-Navon

Global AI Lead in Insurance and Head of Insurance and Fintech
KPMG Israel

Clarity on AI return on investment remains limited



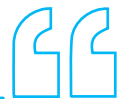
Base: 35

Q16. How clear is your organization today on the ROI of AI use cases in core insurance functions?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

3. The data isn't ready

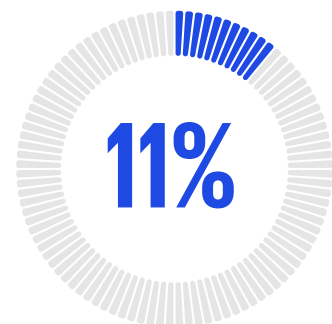
With just 11 percent of our respondents claiming a strong data foundation and governance, our survey suggests that most insurance organizations recognize they have work to do in order to prepare the foundations for full AI adoption and integration. Some have more work than others: 13 percent admit they are still grappling with siloed data and legacy system constraints.



Most data programs fail long before the technology gets involved. They fail at the point where nobody agreed what “good data” needed to look like for the decisions AI was being asked to make. That agreement should happen before any investment goes into infrastructure.”

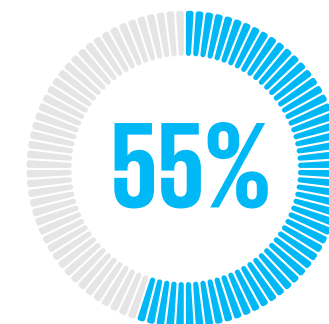
Olivia He
Partner
KPMG China

Data readiness to support AI at scale



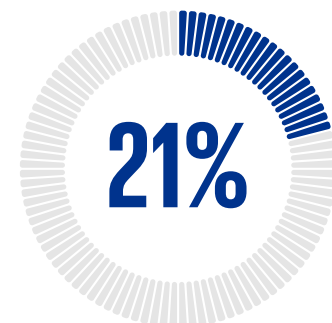
Ready
Strong data foundation
& governance

Integration achieved,
clear ownership, scalable
architecture



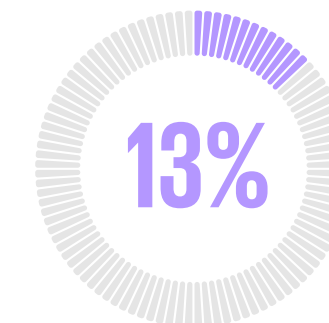
Moderately ready
Core domains usable with
targeted remediation

Core systems functional but
require ongoing data cleansing
and integration work



Partially ready
Some domains usable,
major gaps remain

Fragmented capabilities,
lack dedicated resources
and governance



Not ready
Fragmented data, low
quality, unclear ownership

Legacy system constraints,
poor data quality,
siloed information

Base: 38

Q6. How would you rate your organization's data readiness to scale AI/GenAI beyond pilots?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

4. The workforce isn't prepared

Just 8 percent of insurers rate their workforce as highly proficient in AI tools, even though 54 percent say they provide effective training, a gap that confidence alone cannot close no matter how senior the people expressing it are.

Hybrid models are expected across every core function, but the scale of change tracks closely with where insurers see the greatest value. Seventy-two percent expect a hybrid model in underwriting, while claims management and policy servicing expect significant role elimination at 36 percent and 33 percent.

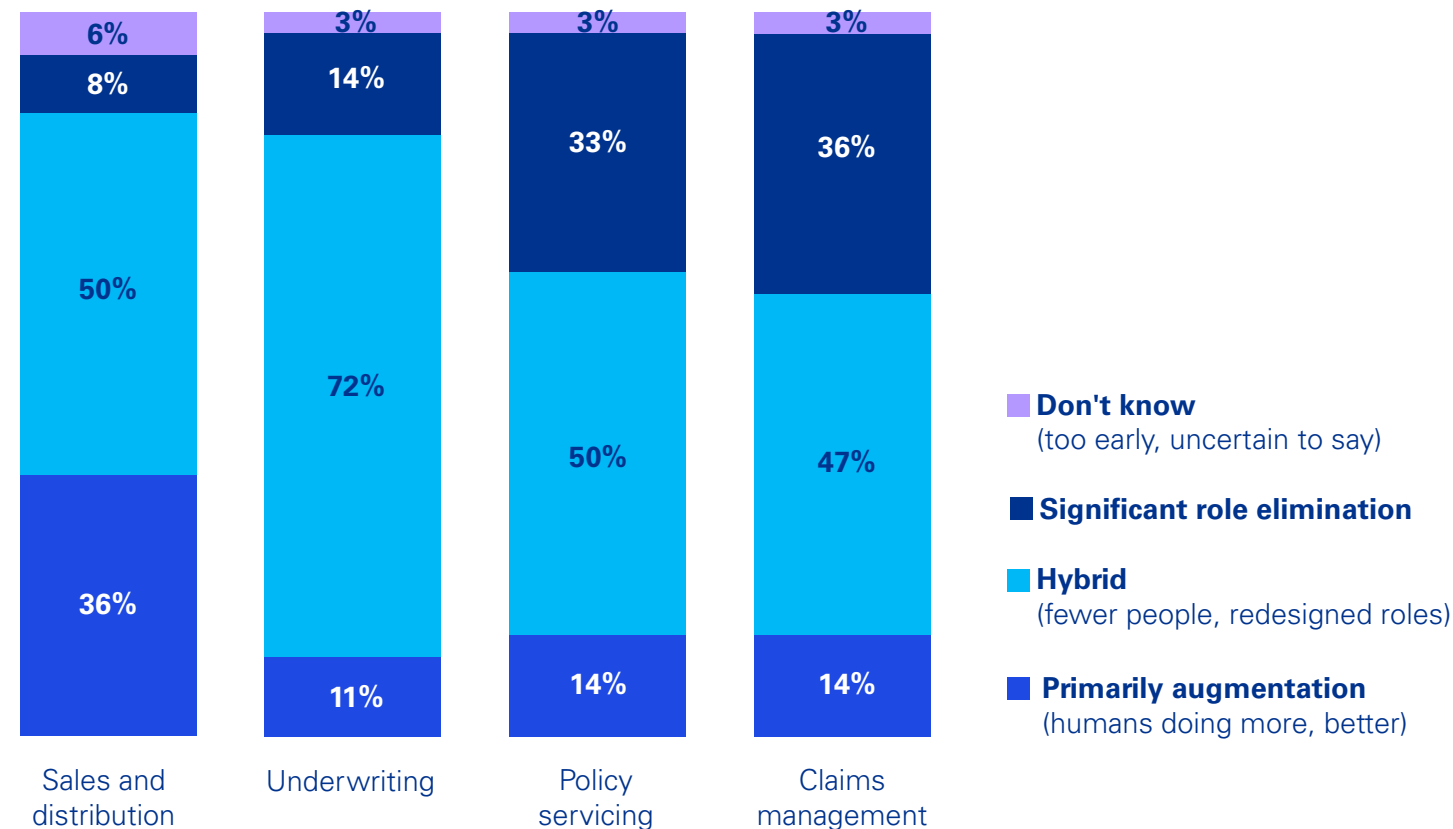


Every insurer says workforce readiness matters. These results suggest that training and upskilling isn't necessarily delivering the capability uplift that leaders are expecting and that reality should be setting the focus for every reskilling conversation happening right now."

Alissa Ristic

Managing Director in Customer and Operations
KPMG in the US

Expected workforce impact of AI, by function



Base: 36

Q14. By 2029, how do you expect AI to affect the size and shape of the workforce in these functions?

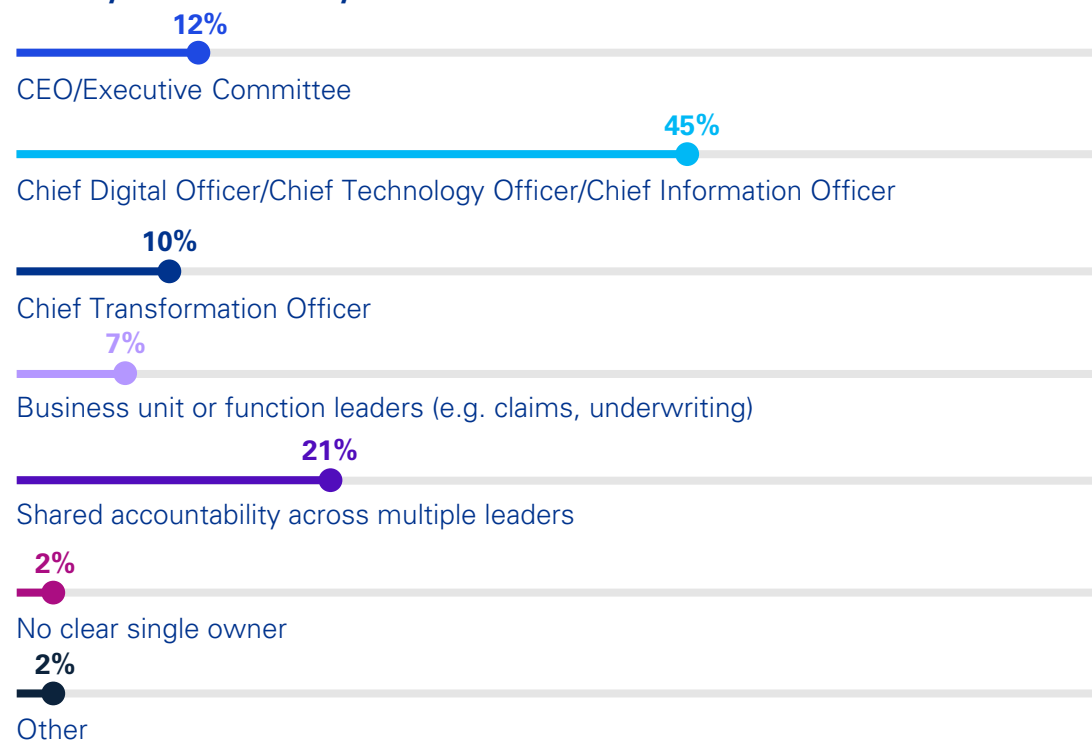
Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

5. The accountability isn't clear

Underneath the vision gap sits an accountability gap. Technology leaders such as Chief Digital Officers, Chief Technology Officers and Chief Information Officers own AI transformation in 45 percent of insurance organizations. But 43 percent say understanding remains uneven beyond the leadership team, and only 15 percent have AI governance fully integrated into strategic planning, despite six in ten claiming a framework exists somewhere on paper.

Ownership and accountability for AI transformation

Primary AI accountability



Base: 42

Q2. Who has primary accountability for AI transformation within your organization?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026

How accountability is structured and understood



Base: 40

Q3. Which of the following best describes how accountability for AI is structured and understood in your organization?

Source: Unlocking AI value in insurance. A leader's guide to AI-enabled transformation, KPMG International, September 2026



Ownership sitting with the technology function sounds like an answer, until you ask what happens when something goes wrong. Real accountability shows up in who has to explain the decision, not who signed off on the budget.”

Mark Longworth

Global Lead for Insurance Advisory and
Partner
KPMG China

Reflection questions

1

Would every function leader describe our AI vision the same way our executive team does?

2

Could we quantify the return on our investments into AI across the enterprise?

3

Who is accountable for AI transformation, and would the rest of the organization name the same person?

4

Is our AI governance integrated into strategic planning, or does it sit apart as a compliance exercise?

5

If our technology function does not modernize its own way of working, how much does that slow every function that depends on it?

The path forward

Closing the gap between ambition and outcome requires two things: a clear enough view of where the business is headed, and the discipline to build toward it one layer at a time.

“You can’t outrun this work,” says Matthew Smith, Global Lead for Insurance Strategy and Transformation and Partner at KPMG in the UK. “Even without a fully-formed view of where AI eventually takes the industry, the discipline of getting the business architecture and related foundations right is the only way to make material gains, whatever comes next.”

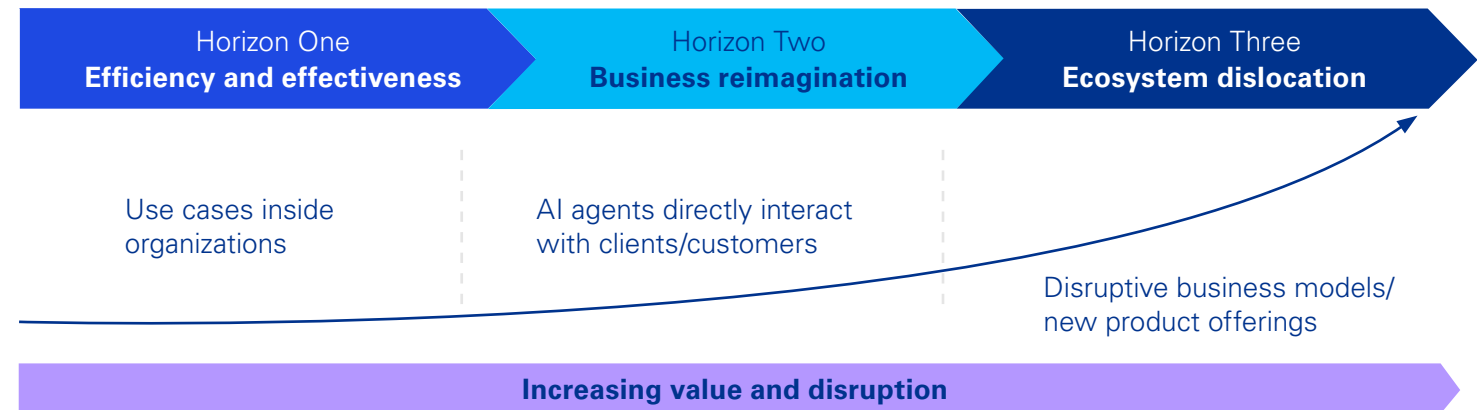
This chapter shares some ideas to help leaders think beyond their current horizon to see what is possible. It offers eight potential ideas for future business models that may create new opportunities for insurers in an AI-enabled world that put the customer at the center of the strategy. And then it shows exactly how the leaders are moving from vision to transformation and reaching the next horizon.

Envision your new horizon

Imagining your future in a world being rapidly disrupted by AI is not easy. Sometimes a framework helps. At KPMG, we often think about AI-enabled transformation in terms of three horizons, each demanding a different kind of ambition from insurers.

Most conversations about AI in insurance still happen inside **Horizon One**, enhancing efficiency, effectiveness, and decision-making within existing business models and operating processes. This is where many insurers are currently focused, using AI-enabled capabilities alongside automation and analytics to improve how work gets done.

Three horizons of AI-enabled transformation



Source: KPMG International, 2026

Horizon One is an important stage of the transformation journey. Here, organizations apply technologies such as generative AI, machine learning, and intelligent automation to support employees, streamline workflows, and surface insights more quickly. Examples include AI-enabled assistants that help employees access information and complete tasks more efficiently or contact center solutions that provide real-time guidance to support customer interactions. While these initiatives can deliver meaningful operational benefits, they generally improve how value is delivered rather than redefining the underlying sources of value creation.

Horizon Two, business reimagination, is where AI becomes the starting point for redesigning core processes from scratch and how the business creates value. This becomes the catalyst to rethinking how products are delivered and how customers experience it. The most progressive insurers are increasingly using AI as a catalyst to redesign customer journeys, decision-making, operating models and business models, rather than simply automating existing processes. Reimagining risk and compliance as an always-on function rather than a periodic review is an example of Horizon Two thinking — one that reaches across underwriting, claims and policy servicing experience customers feel.

“The horizon that matters is the second one,” says Matthew Smith, Global Lead for Insurance Strategy and Transformation and Partner at KPMG in the UK. “Horizon One buys you credibility and a bit of budget. Horizon Two is where the transformation starts to happen and the actual business changes shape.”

Horizon Three, ecosystem dislocation, goes further still. This is where traditional function and industry boundaries start to morph, changing the very fundamentals of what the business needs to be. Value pools shift. Entire product categories become obsolete while new ones emerge. Consider decentralized, blockchain-enabled risk pools that let capital providers underwrite each other directly, using AI to price and monitor risk in real time, removing the need for a traditional insurer to sit in the middle of every transaction (a future business model we unpack in the next section).

The insurers pulling ahead are not spending more time in Horizon One. They are moving through it deliberately and quickly, using the efficiency gains it delivers to fund the harder, more valuable work of Horizon Two, while keeping half an eye on the ecosystem-level shifts of Horizon Three that can eventually reshape the competitive landscape.



The horizon that matters is the second one. Horizon One buys you credibility and a bit of budget. Horizon Two is where the transformation starts to happen and the actual business changes shape.”

Matthew Smith

Global Lead for Insurance Strategy and Transformation and Partner
KPMG in the UK

Embrace new business models

What Horizon Three might look like remains uncertain. What seems clear, however, is that as AI matures, it may not just make insurers more efficient, it can also enable them to compete in fundamentally different ways, redefining where and how they play across the value chain.

We've considered several emerging business models that one might find over Horizon Three. Each suggests significant opportunity for those able to move decisively enough — and with enough vision — to seize it.

Emerging AI-enabled business models for insurance

CRO in your pocket

An always-on digital risk companion that delivers proactive, personalized guidance to protect customers' health, assets and lifestyles

Smart follow algorithmic underwriting

Automated underwriting uses AI, predictive models and trusted decision networks

Decentralized insurance (platform)

AI-powered underwriting and blockchain-based smart contracts could enable crowd-sourced risk pools

Prevention partners

Prevention partners mitigate risks and exposure by partnering with service providers and using data and AI

AI-driven product innovation

AI enables personalized products, modular design and cost-effective innovation

Data utility

Ensures secure sharing and personalized underwriting insights

Ecosystem orchestrators

Embed insurance into services, enabling scalable risk management

Source: KPMG International, 2026

A Chief Risk Officer (CRO) in Your Pocket, is one example: a personal risk assistant that draws on real-time data from wearables, location, calendar and smart devices to identify risk factors (such as poor sleep, elevated stress, or a change in routine) before they become a claim. For personal lines insurers in particular, this model could help create more frequent, relevant interactions with customers, enabling insurers to support risk prevention and decision-making in ways that traditional digital channels have struggled to achieve.

Or consider the Stock Exchange of Risk as another example, a more structurally ambitious idea. Here, individual and asset-based risks are treated as tradable financial instruments, priced and traded much like company shares, using real-time personal data linked to pre-approved risk profiles. It is a model that depends on data and computing maturity that is still some years away, but it points toward a future in which insurers compete as much on data quality and risk-pricing precision as on capital strength alone.

Other potential models sit between these two: Smart Follow underwriting, which automates capacity allocation through trusted decision networks; Decentralized Insurance, which uses blockchain-based smart contracts to create peer-to-peer risk pools; Data Utility models that monetize secure, consented access to behavioral data; and Ecosystem Orchestrators that embed insurance invisibly inside other platforms and services.



A model like CRO in your pocket only works if the data behind it is trustworthy. That is fundamentally a data-governance question before it is ever a marketing one. Get the data foundation wrong and the personal risk assistant becomes just another chatbot nobody trusts with anything that matters.”

Ilanit Adesman-Navon

Global AI Lead in Insurance and Head of Insurance and Fintech
KPMG Israel

Keep the customer at the core

Customers must be at the very center of any model redesign. Yet, ask any customer to describe their relationship with their insurer and many will struggle — even though interactions with insurance companies happen on an almost daily basis — a missed utility bill, a car due for its service, a question about what a health plan covers: these are the everyday moments insurance already touches, usually invisibly.

AI is what could make that invisibility work in the insurer's favor rather than against it. As personal devices accumulate more data, health and wellness signals, location and mobility patterns, financial transactions, home and lifestyle information, they could increasingly function as AI-enabled personal assistants, operating in the background to optimize spending, identify insurance options, or even suggest changes to daily routines that reduce risk before it results in a claim.

Not every customer interaction should be handled this way, and insurers need to be intentional about which is which. Some experiences remain emotionally significant and rightly stay customer-owned. A major life choice, a house purchase, a serious health event — these are moments where customers want a human relationship, not a notification.

Other experiences are frequent, rules-based and administratively heavy: bill renewals, form-filling, scheduling or chasing a missing document, for example.

These are exactly the experiences customers already wish were invisible, and where AI-driven, agent-managed interaction can add value without ever displacing the human relationship that matters elsewhere.

Getting this distinction right, product by product, is what will separate insurers who feel truly part of a customer's life from those still sending an annual renewal letter and calling it engagement. The winners may not treat every interaction and activity the same way. More likely, they will deliberately decide where AI should lead the experience and where it should stay in the background.



Insurers love talking about being customer-centric, but the real test is which moments they choose to automate. Get that choice wrong and 'efficient' starts to look like 'cold' very quickly. Get it right and customers barely notice the technology; they just notice that things finally work."

Alissa Ristic

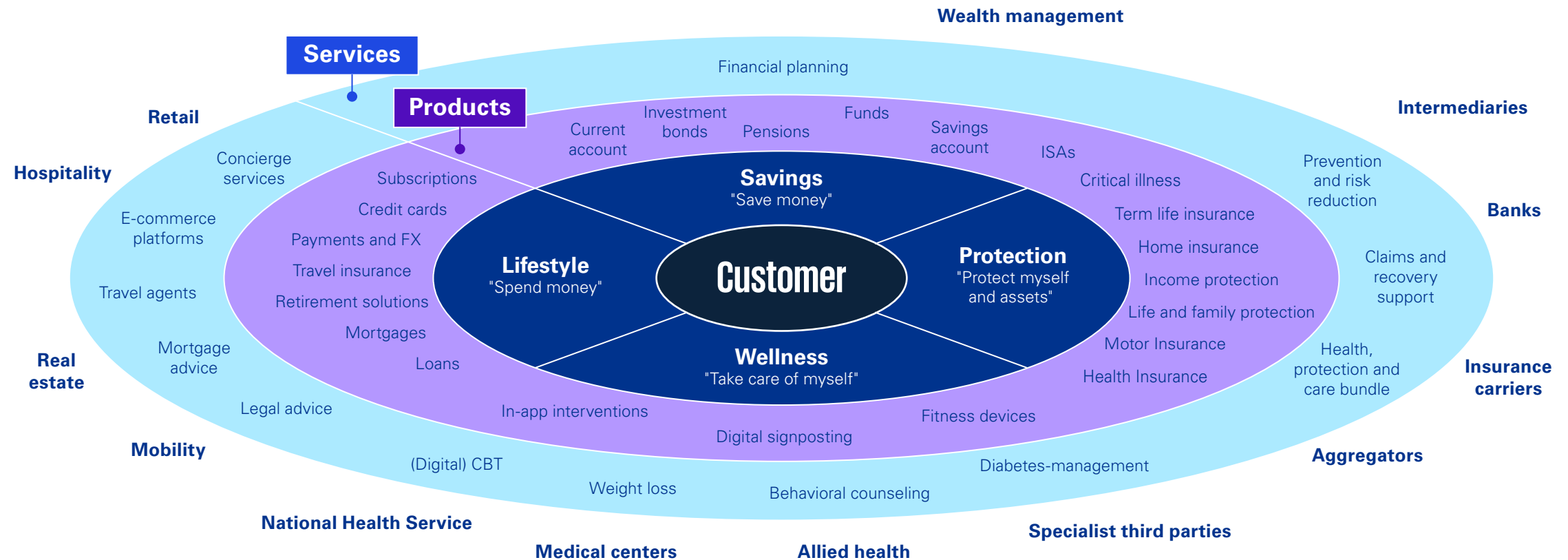
Managing Director in Customer and Operations
KPMG in the US

Case study

Earning the right to automate

A European insurance broker wanted to deploy AI agents that automated customer-service and contract-activation moments that were frequent, repetitive and administratively heavy. But they didn't want to touch the relationship-critical conversations. Working with KPMG France, the broker identified their high-value use cases across sales and service. KPMG helped them execute their strategy with iterative testing, measured continuously against defined KPIs, and supported with training and change-management to sustain adoption. Ticket-handling efficiency rose 20 percent and contract activation time fell 83 percent, giving the broker's teams meaningfully more capacity to deal with those customer conversations that really needed a human.

Insurance in the context of the customer's everyday life

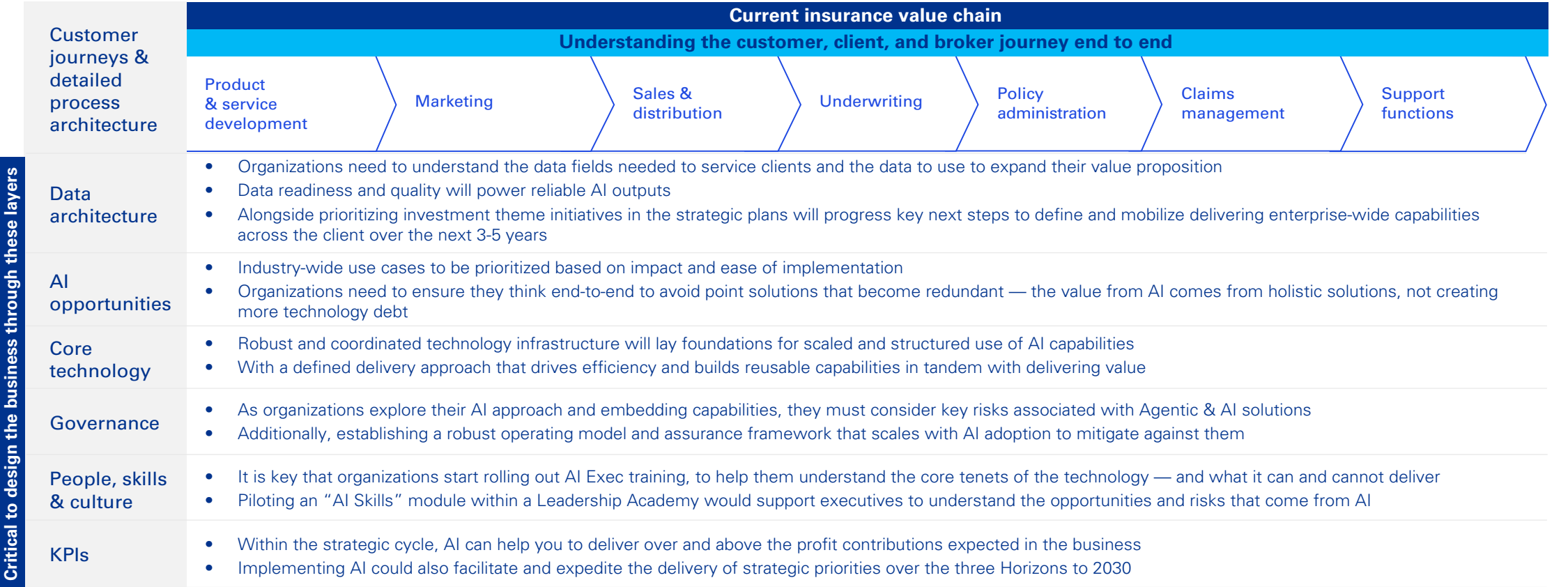


Source: KPMG International, 2026

Go from journeys to KPIs

Vision alone will not likely close the gap between ambition and outcome. For this, you need a smarter, more structured approach to implementation, one that starts with the customer or broker journey and works backward into the business, rather than starting with technology and working forward.

Progressing from customer journeys to enterprise KPIs



Source: KPMG International, 2026

It starts with the customer journey. Insurers can map it from product and service development through marketing, sales and distribution, underwriting, policy administration, claims and support to take an honest look at where it currently breaks down for the people living through it. From there, the processes underneath that journey can be carefully designed as a considered mix of human judgment and agentic automation.

Only once that's done does the data question become more answerable. Leaders interviewed for this research suggested that many insurers may not yet have access to the data needed to fully support AI at scale. Defining what that missing half is (instead of simply buying more infrastructure) will likely be key. Data readiness and quality determine whether AI outputs can be trusted at all.

That creates the awareness and insights that insurers will need to prioritize use cases based on impact and ease of implementation, thinking strategically from the outset to avoid a scatter of point solutions that become redundant the moment the underlying process changes. Core technology, in turn, needs to be robust and coordinated enough to support this at scale, built with a delivery approach that compounds capability with every new initiative.

The final layer worth considering is governance and measurement, and it is where many transformation programs struggle. Insurers could benefit from two distinct sets of KPIs running in parallel: one that focuses on running the business, and one that measures the progress of change across the business. Tracking only the first risks letting transformation stall while operations look healthy. Tracking only the second risks starving today's business of the attention it still needs.

"The KPI conversation usually starts too late in these programs," says Olivia He, Partner at KPMG China. "By the time leadership asks how to measure success, the architecture is already built around the wrong assumptions. Measurement has to be designed alongside the journey and the data, not bolted on once everything else is finished."

A sensible sequence, in our experience, is to redesign the journey and the process first, address the data gap second, and map and prioritize AI opportunities third, instead of pursuing all three at once. It's also worth putting both sets of KPIs on the same leadership agenda from day one, rather than treating them as an afterthought once the technology is already live.

Case study

Seeing profitability clearly again

An insurer worked with KPMG in the US to transform their fragmented data portfolio into actionable insight. The approach looked at diagnosing portfolio performance and prioritized profit levers to develop an implementation roadmap to coordinate product, data and actuarial teams. The team designed a real-time dashboard integrating data across multiple systems to establish a clearer path to portfolio profitability improvement. Leaders across the business now work from a single, shared view of performance, with clear ownership of the levers most likely to reverse the portfolio's decline.

The complaints were the answer

A healthcare insurer was sitting on years of customer-interaction data, call transcripts, claims records and policy data without a structured way to learn from it. KPMG in the UK helped consolidate and cleanse these sources, built topic models and dashboards, and applied root-cause analysis to surface where the journey was breaking down. The engagement generated data-driven insights that improved customer experience, reduced unnecessary interactions, and identified cost-saving opportunities across the insurer's products and processes.

Move from ambition to action

Every element covered so far needs to sit inside a single, coherent operating model, rather than existing as distinct well-intentioned but disconnected initiatives. That means starting with the hardest questions first and answering them honestly before a single line of code gets written.

What are the organization's financial and strategic objectives, and what financial metrics will demonstrate value three years from now? What is the appetite for investment and risk, and how will success be measured? These are business vision and financial ambition questions, and they shape everything that follows.

From there, the business model needs its own clear answers: which markets to play in, which propositions and brands to back, and how to allocate investments across customers and channels. What are the likely winning business models of the future, and how sustainable is the organization's differentiation against peers today? The answers to these questions determine which of the future business models described earlier are worth pursuing, and which are a distraction.

"Every one of these building blocks eventually shows up on a balance sheet somewhere," notes Jacques Cornic, EMA Lead of Insurance and Partner at KPMG France.

"Organizations that treat the financial model as an afterthought often find that the costs associated with these elements become apparent at challenging moments, underscoring the importance of understanding and managing them from the outset."

Case study

One transformation, unfragmented

A Nordic insurer's transformation program had drifted: strategy, governance and delivery were no longer pulling in the same direction. KPMG Finland supported the organization to reframe the transformation vision into actionable KPIs, rebuild the governance model around them, and re-sequence the delivery roadmap including legacy-system migration, through a dedicated transformation management office. Delivery was accelerated, cost reduction opportunities were unlocked, and the insurer came away with a clear, actionable transformation plan that was aligned to the goals and capabilities of their business.

Building an AI-enabled finance function for growth

A leading pan-Asian insurer wanted to transform its finance function to support sustained growth across a complex, multi-market business. KPMG helped them implement a cloud-based finance platform and embed AI capabilities across their transformation program to enhance decision-making, improve performance management and accelerate the delivery of new solutions. The program has delivered more solutions into production since its implementation more than two years ago. By combining new technology, data, analytics and AI, the insurer is enabling finance teams to automate routine activities, generate deeper insights, make faster decisions and focus more time on strategic enterprise value creation.

The right operating model translates that ambition into delivery: core business processes, technology and infrastructure, and the structure, governance and controls that hold it all together. Do the right operational capabilities exist to deliver the growth plan, and if not, what are the quantified gaps versus the gaps leadership assumes exist? People and culture belong here too, since no operating model survives contact with a workforce that was never properly prepared for it.

“Nobody declares defeat,” adds Mark Longworth, Global Lead for Insurance Advisory and Partner at KPMG China. “The financial model, the business model and the operating model just slowly drift apart from each other until the whole thing is running on momentum rather than on a plan anyone still owns.”

Finally, and often skipped entirely, comes measurement: the management information, KPIs, measures and incentives that tell leadership whether any of this is working, and that reward people for building toward the destination rather than for defending the status quo. Insurers who treat this as the last step, rather than designing it in from the start, tend to discover the gap between ambition and execution only after the investment has already been spent.

Measurement remains key to achieving progress on a transformation agenda. Organizations that establish outcome-based metrics early and continuously refine and monitor them, are often better positioned to assess whether their business and operating models are delivering the intended results and to maximize the value of their AI investments over time.

Reflection questions

1

Which horizon (outlined on page 25) best describes where most of our current AI activity sits?

2

Have we mapped which customer moments should be automated, and which should stay human, product by product?

3

What percentage of the data do we have to redesign our core customer journey today?

4

Is our financial model built to withstand uncertainty in AI's own economics: token costs, hidden governance costs, technical debt?

5

Six months from now, what is the one architectural decision we most need to have made?

How KPMG can help

Closing the gap between where insurers are and where this report points is complicated. KPMG member firms can help.

Here are six ways that KPMG firms frequently helps insurance clients with AI:



Tangible value generation: Insurers need more than activity to show for their AI investment. We help connect value measurement and realization capability across the enterprise, drawing on our wider AI and Financial Services teams, so transformation efforts translate into results a board can see.



Wide-ranging transformation: Real transformation touches the whole value chain, not a single function in isolation. Our functional leadership spans underwriting, claims, policy servicing and distribution, backed by a strong and growing base of delivery experience across the insurance value chain.



Data foundations: AI is only as good as the data behind it. We help insurers build the data foundations, governance and lineage AI needs to scale, backed by established functional leadership and one of our deepest delivery practices.



Trusted AI from the start: Trust has to be designed in, not bolted on. We connect governance, assurance and risk capability across our wider AI and Financial Services teams, so responsible AI is part of the build from day one, not a compliance step at the end.



Operational resilience and cyber: AI-enabled transformation raises the stakes on resilience and security. We bring shared insurance, banking and wider financial services capability to cyber resilience, security and operational risk, so scaling AI doesn't mean scaling exposure.



Workforce transformation: None of the five capabilities above works without the people running them. We build shared capability across workforce change, skills and adoption, spanning insurance, banking and wider financial services, so the workforce becomes a driver of this transformation rather than something it happens to.

Making a world of difference

KPMG can help make the difference on your transformation journey. Together we can help you to orient your business around the customer, enhance functions for a new era, manage enterprise risk and regulation for a safer future, rise to a new level of value creation, and create an environment for managing ongoing change.

Through a combination of industry knowledge and leading practices, KPMG firms can help organizations evaluate options, address key considerations, and advance their transformation agenda. Please contact your local KPMG member firm to continue the conversation.

Methodology

This report is based on new primary research commissioned by KPMG to understand how insurance organizations are navigating AI-enabled enterprise transformation.

The research set out to assess the current state of AI transformation maturity across core insurance functions, understand the strategic approaches insurers are taking to AI adoption, evaluate the workforce and operational impact of that transformation, explore how ROI expectations compare to the value being realized, and identify the competitive threats emerging from AI capabilities outside traditional insurance.

Findings were drawn from a hybrid qualitative-quantitative discussion board that combined structured survey questions and open-ended questions. While some participants completed the discussion board in full, others only contributed to specific questions or sections. Responses were therefore analyzed at the question

level, meaning participants contributed to the analysis of any questions or sections they completed, with base sizes reported throughout the report where applicable. This approach retains valuable participant perspectives while providing transparency regarding the number of respondents informing each finding, generating both directional quantitative insights and deeper context on how insurance leaders are navigating AI transformation.

This discussion board was conducted between May 20 and 29, 2026, with 44 insurance leaders engaged across 20 countries and 6 regions, representing organizations with 500 or more employees across all major insurance sub-sectors. Thirty-two participants completed the discussion board in full, with a further 12 completing it in part. Where noted, this is supplemented by integrated analysis from the Transforming the Enterprise 2026 survey conducted by KPMG, which included 53 insurance respondents in senior transformation leadership roles.

Participants represented a broad cross-section of the industry: property and casualty insurers (15), life insurers (8), brokers (7), health insurers (5), reinsurers (4) and multi-line carriers (4), and an unspecified participant. Organizations ranged from under US\$1 billion in annual revenue (11 participants) to more than US\$20 billion (8 participants), with the remainder spread across the US\$1–20 billion range. Geographically, participants were concentrated in Europe (22, led by Germany, Italy and France) and North America (12, primarily the United States), with further representation from Asia-Pacific (7), the Middle East and Africa (2) and Latin America (1).

Percentages throughout this report are based on this combined sample unless otherwise stated and may not always add up to 100 due to rounding.

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Acknowledgements

We would like to thank the following KPMG professionals from across KPMG’s global insurance network who participated in the development of this report.

Erik Bleekrode

Head of Insurance
ASPAC and Partner
KPMG China

Harry Dee

Director, Financial Services
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KPMG in the UK

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Designed by Evalueserve | Publication name: Unlocking AI value in insurance | Publication number: 140645-G | Publication date: September 2026