

A nighttime photograph of a city skyline, likely Hong Kong, featuring several illuminated skyscrapers. In the foreground, a highway with light trails from moving vehicles is visible. A teal semi-transparent banner is overlaid on the bottom half of the image.

NAVIGATING THE AI LANDSCAPE:

Current State of the Industry

EXECUTIVE BRIEFING

LIMRA **LOMA**
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1.0 Overview

THE FINANCIAL SERVICES SECTOR is undergoing a dramatic and transformative evolution driven by advancements in artificial intelligence (AI), and generative AI (GenAI) as a derivative of the overall AI industry. As is the case with most other industries, the explosive growth of AI has shifted attention, time, and resources as firms seek to capitalize on the promise and opportunities it presents. It is also evident that, as is the case with most other established and mature industries, firms within the insurance industry are attempting to understand AI and how to achieve sustainable success with it.

On the heels of large-scale digital transformations that only accelerated through the COVID-19 pandemic, AI is poised to disrupt the digital transformations that were already underway across the industry. AI stands ready to revolutionize various aspects of the insurance value chain. The integration of AI and GenAI in the life insurance industry is as much about reengineering organizational business processes to take advantage of the technology as it is about the technology itself. The introduction of AI across the value chain is not just enhancing existing processes but is fundamentally reshaping the life insurance landscape. By capitalizing on AI — correctly — insurers can achieve significant competitive advantages, drive innovation, and better serve a new generation of customers in a digital world.

Focused on understanding the current state of AI business value enablement (use cases) and AI governance, this study seeks to provide a snapshot into where the industry is in terms of AI adoption and implementation as of the first half of 2024. This assessment of AI current state across the industry is a vital predicate as the industry aspires to define what good looks like — from best practices to AI implementation, risk management, and measurement of value. This comprehensive study is the first of its kind across our industry. It orients us on where the industry is today, outlines where we would like to be in the future, and sets the stage for development of best practices, frameworks, and tools to assist us to get from current state to desired state.

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2.0 Executive Summary

THE “AGE OF AI” IS HERE and is an unequivocally seminal moment poised to transform the insurance industry like no technological advancement before it. This study offers a comprehensive report on the state of AI play at the halfway point of 2024. As part of the first set of deliverables of the cross-industry LIMRA and LOMA AI Governance Group (AIGG), this report has been informed by a myriad of industry sources. These sources include a questionnaire completed by a portion of the AIGG members, one-on-one conversations with carriers, a dialog with consulting firms and industry ecosystem partners, and discussions with analyst firms. The information provided by this study seeks to be insightful for the short-term and provide actionable insights for the 2–3-year horizon.

This study finds that AI — especially GenAI — holds deep transformative potential for the industry with nearly 100 percent of carriers as of Q2 2024 experimenting with AI/GenAI use cases at varying levels. Seventy-five percent of firms are piloting/planning to pilot or are implementing internal GenAI capabilities in 2024. Executives must prioritize change management and effectively navigate the necessary cultural transformations due to AI and GenAI. At the same time, the study strongly encourages executives to continue focusing on the fundamentals — culture, eradication of enterprise silos, data, and modernization of legacy systems.

The explosion of GenAI has allowed for centralization of all implementations across a carrier’s value chain, and this centrally operated AI pipeline is being overseen by a cross-functional AI Task Force/Center of Excellence/Governance Group, typically under the leadership of company Chief Information Officers (CIOs). While there are carriers with upwards of several hundred active use cases in their ideation pipeline, it will be vital for executives to push their teams to measure the success of AI use cases through cost-benefit analyses to help firms understand the value derived from their AI investments and plan their future strategies accordingly. It is vital for leaders to be cognizant of the fact that jobs and professions will change in the next 2–3 years, but not necessarily be eliminated. Executives need to start thinking about skilling and reskilling employees, including training employees on how to use GenAI. Executives should think of AI as a productivity booster, not as a way to cut headcount.

Just as vital, executives should lean on their CIOs and cross-functional teams to maintain “humans in the center.” Enforcing the need for human judgment in the center of all use case implementations ensures that AI systems are implemented responsibly and ethically. Carriers will need to have a documented AI strategy that takes a decided risk-based approach to strike an effective balance between innovation and agility, and governance and controls. It is strongly recommended that executives ensure their enterprise AI strategies place emphasis on explainable AI and focuses on AI governance. This paper also stresses the importance of regulatory frameworks and the need for organizations to prepare internally for potential

regulation, as well as highlighting the risks associated with vendor supply chains and the need to manage these risks effectively. Executives are urged to lead their firms in prioritizing ethical standards for their AI implementations, ensuring that AI is free of bias and proxy discrimination.

Absent overarching industry-level regulation and regulatory frameworks, carriers are advised to continue maintaining their governance policies and controls, while adopting best practices that emerge from the LIMRA and LOMA AIGG.




2.1 EXECUTIVE OVERVIEW: Business Value Enablement (Use Cases)

As of Q2 2024 most carriers are experimenting with AI use cases, with a focus on deriving value from first-generation use cases while developing enterprise AI strategies. The centralization of AI use case development efforts for efficiency and broader applicability is going to be vital. Measuring the success of AI use cases will be easier for GenAI. Firms need to develop a clear cost-benefit analysis strategy, but it is highly likely that most companies will arrive at a hybrid approach in the “build vs. buy” decision for AI models. As programs mature, it will be critical for carriers to align their AI strategies with broader corporate objectives. Agility and adaptability in the industry is going to be more important now than ever before. Our industry should not focus only on keeping humans in the center of all AI decisions for the near future, but also keep sight of core tenets of humanity as the center of customer-facing AI implementations.

2.2 EXECUTIVE OVERVIEW: Governance

The establishment of enterprise AI governance is vital for the success of these implementations. The AIGG explored regulatory frameworks currently being employed within carriers, firms’ internal preparation for potential regulation, vendor supply chain risk management, mitigation strategies for bias and discrimination in AI implementations, and the need for AI explainability and transparency. Companies are all at different stages of the implementation process of policies and risk management strategies, therefore their approaches to AI governance vary. They are advised to adopt a human-centric approach to AI strategies. Organizations that fail to build a robust governance model will face challenges in scaling their AI programs in the future. A shared enterprise definition of AI risk and the incorporation of risk management into AI strategies will be vital in ensuring its success over the next few years and beyond.



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2.3 EXECUTIVE OVERVIEW: Overall – The Age of AI Is Irreversibly Here

There is widespread acknowledgement that we are entering the “Age of AI” and its transformative potential in the insurance value chain. The use of AI in the industry is not new, but the rapid progress in AI models has led to its increased use across the insurance value chain. GenAI has displaced “digital transformations” as the primary technology focus area for the industry. Every major vendor has already incorporated AI (specifically GenAI) across their product offerings, making it imminently ubiquitous across the insurance value chain. Regardless of whether a firm plans to build its own AI models or leverage external providers, it will require an AI strategy. The strategy should focus on evaluating fit-for-purpose products, measuring productivity gains, training employees, developing enterprise AI use policies, and derisking the vendor supply chain.

2.4 EXECUTIVE OVERVIEW: Overall – Centralization

Until recently, AI implementations within firms have been happening in divisional silos, preventing them from having a unified approach. Centralization of AI programs within firms has allowed for a more holistic approach towards using AI as an enterprise enabler. This has allowed firms to develop enterprise AI strategies from the top down, starting with business priorities and drivers, and cascading through the organization. It has also allowed firms to ideate and develop use cases that can be reused through multiple parts of the business, and to capitalize on their collective knowledge and AI intelligence. Firms should formalize enterprise AI COEs/governance groups, evaluate and consider using sophisticated AI cybersecurity tools, adhere to data privacy and protection regulations, and provide support to CIOs.

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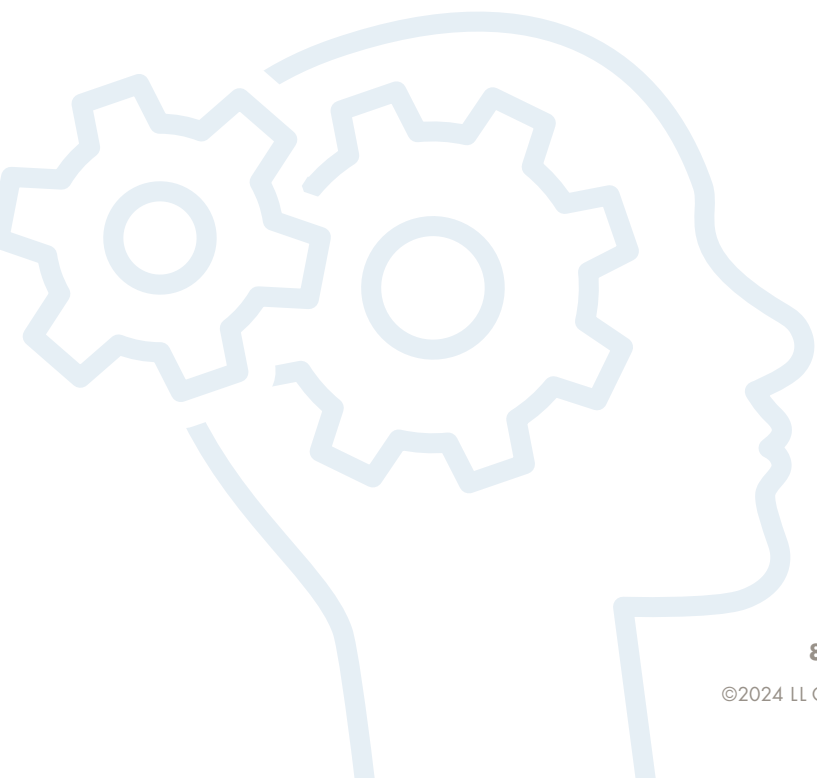


2.5 EXECUTIVE OVERVIEW: Overall – Fail Fast, Learn Faster

Digital transformations in the insurance industry have been commonplace for about a decade, with AI driving its latest iteration. However, legacy systems, highly bespoke homegrown systems, and highly customized off-the-shelf software continue to pose challenges. AI can enhance operational efficiency and drive substantial value across various facets of the industry. Companies can maximize value from AI investments as business drivers by redirecting IT investments to fund AI initiatives through 2024, centralizing AI investments, and developing benchmarks for AI funding. Carriers are advised to adopt a “fail fast” approach towards use cases that do not yield success and to develop a documented, repeatable, and standardized process to operationalize GenAI use cases. Companies should prioritize educating employees within jobs that are prime candidates for incorporating AI, especially GenAI, and measuring value from AI implementations and ideation.

2.6 EXECUTIVE OVERVIEW: Overall – Regulatory Landscape

The regulatory landscape for AI in the insurance industry is fragmented, specific to certain domains such as underwriting. Companies are preparing for potential regulation or regulatory guidelines and prioritizing ethical issues over methodological issues. Companies are cautious about deploying automated decision-making in high-value operational processes without human oversight and are focusing on safety, security, explainability, and transparency. They should be able to explain complex features of their in-house AI models and mitigate risks from unintended biases by conducting internal reviews of models. Model performance degradation should continue to be an area of focus, and firms should invest in building robust internal “guardrails” to ensure oversight and transparency.



2.7 EXECUTIVE OVERVIEW: Overall – Cultural Changes and Change Management

GenAI is expected to be as impactful as the rise of the internet and the release of the iPhone. While AI promises automation, cost savings, operational efficiencies, and productivity gains, it also raises concerns about job displacement, role eliminations, and the need to learn new tools and processes. The centralization of AI programs under CIOs has allowed firms to develop enterprise AI strategies that go top-down and capitalize on their collective knowledge and AI intelligence. Firms should focus on business process reengineering and reimagining, education and literacy, and preparing for the future workforce in the “Age of AI.” Leaders should create adaptive workforce strategies that can be adjusted with AI advancements, ensuring that the firm remains responsive to rapid changes. Leaders should also focus on the importance of failing fast in ideation, which allows firms to quickly operationalize innovative solutions and address potential issues and risks early.

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LEARN MORE about the AI Governance Group (AIGG) [here](#).

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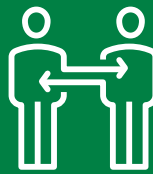
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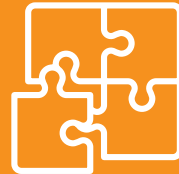
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