

# Datos Insights Insurance Leaders Technology Forum

## Key Takeaways



# Executive Summary

## The insurance industry is entering a more demanding phase.

Market conditions remain relatively strong, but margin pressure is building, pricing momentum is slowing, and external tailwinds are becoming less reliable. Simultaneously, artificial intelligence (AI) has moved into production across the industry. Carriers are deploying AI across claims, underwriting, and operations but are at different stages of maturity, though most are still clustered at similar levels of adoption and impact.

AI adoption is widespread, but it is not yet creating meaningful differentiation. Many carriers are using AI to improve efficiency, but fewer are embedding it into the decision workflows that drive underwriting outcomes, claims performance, and growth.

Business as usual will not be sufficient. The next phase of competition will be defined by how effectively carriers operationalize AI, redesign workflows, and move from experimentation to execution at scale.

# Market Reality: Margin Pressure Is Building

**Profitability has recovered, but momentum is slowing:** The market is strong, but conditions are shifting. Underwriting performance has improved significantly in P&C lines of business, but pricing momentum is slowing, and competition is increasing. Growth remains robust in life, annuities, and benefits, supported by interest rates and demographic demand. However, these trends are unlikely to continue at the same pace. Margins are stabilizing, and the drivers of recent performance are becoming less reliable.

**Risk is becoming more concentrated and harder to manage:** Risk exposure is increasingly concentrated in higher-volatility segments, including property catastrophe, excess liability, and specialty markets. Growth is being driven more by exposure than pricing. This shift increases the impact of volatility on results and reduces the effectiveness of broad underwriting approaches. As a result, performance is becoming more sensitive to underwriting discipline, segmentation, and portfolio management decisions.

**Performance will depend more on execution:** As market conditions tighten, performance will be driven less by external tailwinds and more by carriers' execution across underwriting, claims, and distribution.

"The industry has restored profitability, but what comes next will be defined by execution."

- Chris Eberly, Head of Insurance Insights,  
Datos Insights

**Approximately 95% combined ratio in 2025 (P&C):** Strongest underwriting performance in a decade, suggesting limited room for further gains from pricing.

**US\$460 billion in annuity sales, fourth consecutive record year (L/A/B):** Growth remains strong, but profitability depends on operational efficiency and cost control

# The Industry Reality: AI Adoption Without Differentiation

**AI adoption is widespread, but its competitive impact is limited:** Most carriers have moved past pilots, and AI is now in production across the industry. However, most use cases still focus on document processing, summarization, and internal efficiency. These applications improve productivity but do not materially change underwriting performance, claims outcomes, or growth.

**Expectations outpace investment and execution:** Most carriers expect AI to deliver competitive advantages, but few are investing in the data, workflow, and operating model changes required to achieve it. This creates a clear disconnect: Carriers expect a competitive advantage while continuing to invest conservatively and focusing on lower-impact use cases.

**The industry is moving, but few are pulling ahead:** AI is becoming a baseline capability rather than a source of differentiation. The next phase will be defined by carriers that embed AI into underwriting, claims, and distribution decisions, where it can materially impact performance. The window to move from efficiency-focused adoption to true differentiation is narrowing.

**Only 8% of carriers believe they are ahead in AI:** Adoption is widespread, but differentiation is limited.

**70% expect AI to deliver a competitive advantage within three years,** highlighting the gap between expectation and current reality.

**70% of carriers spent under US\$500,000 on AI in the past year,** reinforcing conservative investment relative to expectations.

# The Intelligent Insurer Operating Model

## What Leading Carriers Are Building Toward

The operating model is changing. Insurance is moving away from linear, functionally siloed processes toward coordinated workflows that combine human judgment with AI-driven execution. Capacity is no longer defined by headcount but by how effectively work is orchestrated across people, systems, and models.

This reflects a broader transition from piloting AI to redesigning operating models around how decisions are made and executed, which is already visible in areas such as faster quoting cycles, more dynamic underwriting decisions, and workflows structured around real-time inputs.

## Five Pillars of the Intelligent Insurer

- 1. Scale without headcount growth:** Expand capacity through AI and automation rather than adding incremental labor.
- 2. Intentional AI, not experimentation:** Design every initiative with a clear path to production and measurable impact.
- 3. Reimagine work, don't just digitize it:** Redesign workflows around AI capabilities instead of layering AI on top of legacy processes.
- 4. Business-led, tech-enabled transformation:** Shift ownership of AI outcomes to the business, with technology enabling execution.
- 5. Speed as a competitive advantage:** Reduce cycle times across underwriting, claims, and distribution to win better risks.

# Why Adoption Isn't Translating Into Performance

Most carriers have moved beyond pilots, and AI adoption is increasing across the industry. However, these efforts are not yet consistently translating into improved underwriting performance, claims outcomes, or growth. As organizations attempt to extend these capabilities, several underlying challenges become more visible.

- **Scaling AI beyond initial use cases introduces complexity:** Deployments that work within a single team or workflow become harder to sustain across systems, data environments, and organizational boundaries.
- **Data is not consistently usable at the point of decision:** While data is available, it is often fragmented or requires manual effort to assemble, limiting the ability to apply AI and analytics in real time.
- **Integration into existing systems slows deployment:** Embedding AI into core workflows requires connecting to legacy systems and processes, which can delay implementation and limit impact.
- **Workflows are not designed to fully leverage new capabilities:** Processes built around manual execution and sequential handoffs often prevent AI from improving outcomes beyond isolated tasks.

**42% cite data quality as the top barrier to scaling AI:** This finding confirms that the issue is usable, trusted data rather than needing new tools to analyze it.

**Integration challenges increased from 16% to 31% year over year:** Scaling AI is exposing system and architecture limitations.

**Only 23% of insurers report sufficient AI expertise:** Workforce readiness remains a key constraint to scaling.

# From Insight to Execution: What Leaders Are Doing Differently

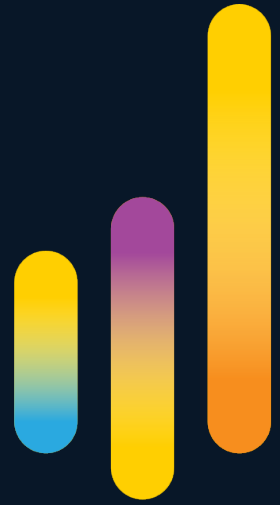
A smaller group of carriers is beginning to translate adoption into measurable impact by aligning technology, data, and operating models around how decisions are made and executed. These organizations are taking a more focused approach to turning new capabilities into performance improvements:

- **Applying AI to core decision workflows:** Rather than concentrating on efficiency use cases, leading carriers are embedding AI into core decision workflows, particularly in underwriting, where it is emerging as the primary opportunity for differentiation, as well as in claims and distribution.
- **Focusing on targeted execution over broad transformation:** Leaders prioritize specific workflows with clear business impact, building momentum through measurable results rather than large, multi-year programs.
- **Aligning business and technology ownership:** AI initiatives are tied directly to business performance, with shared accountability across underwriting, claims, operations, and technology teams.
- **Investing in change management and adoption:** Leading carriers are redesigning roles, training teams, and reinforcing new ways of working to ensure capabilities are consistently used.
- **Capturing and scaling institutional knowledge:** Expertise is being embedded into systems and workflows, improving consistency and enabling better decision-making at scale.

## Looking Ahead: The Next Set of Decisions

A new set of strategic and operational questions is emerging as carriers move from initial deployments to scaled execution. These decisions will shape how effectively organizations can sustain and expand AI-driven capabilities.

- **Build vs. buy AI capabilities:** Determine where to develop proprietary capabilities versus leveraging external platforms and partners.
- **Operationalizing change management:** Move beyond one-time initiatives and establish change management as a sustained organizational capability.
- **Managing the cost of AI at scale:** Understand and manage the economics of AI usage, including model costs, token consumption, and infrastructure requirements.



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