cognizant | Microsoft

No more human customers: How AI could transform insurance by 2030

A seismic shift in the industry driven by advanced computing is coming. This report outlines our vision of a world where smart personal AI assistants seamlessly manage risk and coverage, challenging traditional providers to innovate swiftly or risk becoming obsolete.

Introduction

Insurance has long been a vital part of everyday life, protecting individuals and businesses from various risks and uncertainties. However, finding, buying and managing insurance policies has often been complex, time-consuming and frustrating.

As we approach 2030, a revolutionary change is on the horizon—one that will fundamentally alter how insurance is bought, sold and managed. This change is driven by the rise of artificial intelligence (AI), particularly personal AI assistants.

Imagine a world where you never have to fill out another insurance form, spend hours comparing policies. Imagine a world where your personal AI assistant handles all this seamlessly and efficiently. This isn't science fiction—it's the near future of insurance, and it's inevitable.

> Drawing on deep industry experience, unique customer insights and glimpses of future possibilities, Cognizant has created a vision of insurance in 2030. For insurers, understanding the likely changes by the start of the next decade is not just about staying competitive—for many, it's about survival.

This exploration delves into the trends propelling this revolution. It also analyzes the far-reaching implications of a future where there are "no more human customers"—at least not in the traditional sense, because AI assistants will become the primary interface between consumers and insurers, transforming every aspect of the insurance value chain. Finally, it offers a strategic roadmap for insurance companies aiming to thrive in this new AI-dominated era.

For company executives reading this report, it's crucial to understand that the convenience and superior experience AI-driven insurance offers will affect you personally, just as it will your customers. This perspective is vital to grasping the urgency and potential of the coming changes.

As we explore this new landscape, the question isn't whether it will happen but how insurers will respond. Will you seize this opportunity to thrive, potentially reclaiming ground lost to aggregators, who might be looking at this technology as well? Or will you be left behind in a rapidly evolving market?

Contents

Introduction 02

1. The vision: A new era of effortless protection 04

2. Why this future is inevitable: The seeds of change 06

3. Implications for insurers: Adapt or perish 08

4. Bridging the gap: Preparing for the AI-supported customer 09

Key takeaways 11

Authors 12

1. The vision: A new era of effortless protection

You wake up on a crisp autumn morning in 2030. As you sip your coffee, your personal AI assistant, PAIA, gently interrupts via your smartphone.

"Good morning. I hope you slept well," says PAIA. "I've been reviewing your insurance portfolio and have some updates for you."

"Sure, go ahead," you permit PAIA to continue.

"I've noticed that your current home insurance policy with SafeHouse Insurance is due for renewal next week. However, I've identified a new policy that offers better coverage and aligns more closely with your environmental values. The new insurer, GreenerLight Home & Auto, specializes in comprehensive home and motor insurance focusing on sustainability."

Intrigued, you ask PAIA to elaborate.

"Your SafeHouse policy expires in seven days. However, if you switch to GreenerLight today, you'll save £150 annually. There's a £25 cancellation fee with SafeHouse, but even after paying this, you'd still save £125 this year."

"Further, the new policy would increase your coverage for natural disasters, which is prudent given the area's recent climate risk assessments. It also includes enhanced cybersecurity protection, which I recommend given your increased work-from-home arrangements. Despite these improvements, the premium is lower than your current policy."

Pleased but curious, you instruct PAIA to expand on how it arrived at these recommendations.

"Of course," PAIA responds. "I've obtained quotes from three different insurers based on your current needs and preferences."

It runs through the options:

1. **DirtySmoke Insurance:** "This is the cheapest option, but they heavily invest in fossil fuels, which doesn't align with your environmental values."

2. **Laggard.tech Insurance:** "Their premium is mid-range. However, I should note that their website was nonfunctional, so I had to use my text-to-speech capability to speak with their call center AI."

3. **GreenerLight Home & Auto:** "This is the option I recommend. While it's the most expensive, it aligns best with your values and offers superior coverage."

You follow up: "What's the difference in premiums?"

PAIA responds: "The difference between the cheapest and most expensive option is £100 per year, or £10 per month if you prefer to pay that way. However, I've identified some factors that affect your risk profile. For instance, the local council installed new flood defenses last year, so you no longer need special flood coverage. This has helped reduce premiums across all options."

You nod, appreciating the efficiency. "That sounds great, PAIA. What about our other policies?"

"I'm glad you asked," PAIA continues. "As you requested, I've also been monitoring your driving habits through sensors in your phone. Based on your consistent, safe driving record and reduced mileage, I've inquired about a reduced auto insurance premium with your current provider. They've agreed to this adjustment in real-time, effective immediately."

You smile, realizing how much time and money PAIA has saved you without you lifting a finger.

"Lastly," PAIA adds, "given your recent health improvements—your fitness tracker shows a 22% increase in physical activity and a decrease in resting heart rate over the past six months—I've secured a discount on your life insurance premium, if you wish to proceed. The insurer's AI has recalculated your risk profile based on this data and their predictive health models."

You feel a sense of security and satisfaction as you finish your coffee. Your insurance portfolio is continuously optimized, aligned with your values and adjusted to your changing lifestyle—all without you having to spend hours comparing policies or negotiating with insurers. Something that used to be a chore and reactive is now proactive and blissfully straightforward.

"Thank you, PAIA," you say. "Please go ahead and make those changes."

As you start your day, you realize how far the insurance industry has come. The days of annual renewal headaches, complex policy documents and frustrating processes seem distant memories. Insurance has become an invisible, effortless form of protection, working silently in the background to keep you and your assets safe.

> This vision of 2030 may seem futuristic, but the foundations for this AI-driven insurance revolution are already being laid today. The scenario described above is a logical evolution of trends and technologies already reshaping the insurance landscape.

Crucially, this change is coming. The question facing insurance companies isn't whether to adapt but how quickly they can do so to stay relevant in this new era.

2. Why this future is inevitable: The seeds of change

By the start of the next decade, AI-to-AI interactions will become the norm in insurance transactions. Personal AI assistants will seamlessly engage with insurers' AI systems, negotiating policies, processing claims and managing coverage without direct human intervention.

B2C personal AI shopper: Eight-step renewal process

01
User preferences and requirements

- Your Personal AI Assistant (PAIA) would have detailed knowledge of your preference, needs and budget, based on previous policies.
- You would enjoy a personalized LLM instance trained by you, your habits and your data.

02
Data gathering

- Your PAIA would be able to interact directly with the AI system from the motor insurance companies.
- Would be done in real time ensuring most up-to-date information is considered.
- Failing to find motor insurance company's personal AI, your PAIA can scrape motor insurance website.

03
Analysis and comparison

- Using various algorithms, your PAIA can compare and contrast data gathered across cost, coverage, and other AI reviews/customers.
- Can even use machine learning to predict best quote based on historical data and patterns.

04
Personalized recommendation

- After analyzing the results, your PAIA can present you with the top options based on all the factors which align with your values and preference, as well as presenting each case with benefits and drawbacks.

05
Automated negotiation

- Your PAIA can negotiate a better rate with the insurer's AI. This can involve leveraging your driving record, your loyalty and any extra advanced driving course you have undertaken.

06
Seamless renewal process

- Upon choosing the policy that's right for you based on the options presented, your PAIA will handle the completion of any forms, making payments or presenting "no claims discount" (NCD) for example.

07
Continuous monitoring

- Throughout the year any changes can be automatically updated. Your PAIA will be able to identify any claims/accidents you have and can automatically take care of that without the need of you contacting insurance companies.

08
Data privacy and security

- All communication/interactions with external AI systems will be encrypted. Just as today your payment details are stored in a secure digital wallet allowing you to purchase products and services from your smart device safely.

Figure 1: Diagram representing eight-step renewal process with B2C personal AI shopper.

The real threat to traditional insurance models comes from outside the industry. Companies like Apple, Google and Microsoft are already developing sophisticated AI assistants. For instance, Apple's partnership with OpenAI suggests that consumers could have ChatGPT capabilities built into their iPhones as early as next year. Meanwhile, startups are pushing the boundaries of what AI assistants can do, learning to navigate thousands of websites to perform tasks like ordering an Uber or shopping on Amazon.

One of the most significant developments in this space is the emergence of large action models (LAMs). Unlike traditional large language models (LLMs) that primarily process and generate text, LAMs are designed to understand and execute complex sequences of actions across various digital interfaces. This technology, while still in early stages of development, allows AI assistants to navigate websites, fill out forms and complete transactions—including insurance purchases—with minimal human intervention.

In insurance, this technology could allow AI assistants to navigate insurer websites, compare policies and even complete purchases, all without direct human interaction. Perhaps most critically for insurers, AI form-filling capability is just around the corner. Within months, not years, we expect to see AI assistants capable of accurately completing complex insurance application forms. This development will remove one of the most significant friction points in the insurance buying process. Combined with the AI's ability to compare policies and make recommendations, this could dramatically accelerate the shift towards AI-mediated insurance transactions.

> These developments mean that customers may soon not interact directly with insurance websites, call centers or offices at all. Instead, AI assistants will be able to access insurers information online or automatically connect to a call center. AI assistants will have conversations, undertake research, compare the market information and transact across multiple channels to select, validate and purchase products.

B2C personal AI shopper: Current tech used in the market

User preferences and requirements

Amazon Alexa
Suggesting products based on previous purchases. Over time, understands the products you're interested in.

Spotify
Spotify's AI-driven recommendation engine personalizes playlist and songs based on listening history and liked songs.

Data gathering

Google search and news
Google continuously crawls and indexes billions of web pages to provide most relevant news updates and search results.

Analysis and comparison

Netflix recommendation
Using collaborative and deep learning, Netflix analyzes user viewing history, ratings and behavior to compare and recommend movies.

Automated negotiation

Travel booking platforms
Uses AI to negotiate pricing; the customer names their price and the system negotiates with hotels and airlines to find best deals.

Seamless renewal process

Insurance platforms (Lemonade)
Lemonade Insurance uses AI to automate the policy renewal process. They analyze customer data to provide personalized offers and manage entire renewal workflow seamlessly.

Continuous monitoring

Splunk
Splunk uses AI and machine learning to continuously monitor network traffic, user activities, etc. It can detect anomalies, flag potential security breaches and automate responses accordingly.

Data privacy and security

Apple Pay
Tokenization: When you add a credit/debit card in your apple wallet, Apple doesn't store the actual card number on their server instead a unique encrypted token created.

Encryption: Every transaction is authorized using a one-time dynamic security code rather than using the security code from the back of your card. Ensures your card details never shared with merchants.

Figure 2: B2C personal AI shopper—Technology overview

3. Implications for insurers: Adapt or perish

As AI assistants evolve, they're increasingly taking on roles traditionally performed by underwriters. For example, when PAIA noted that flood coverage was no longer necessary due to new flood defenses, it essentially performed part of an underwriter's job—assessing risk and suggesting appropriate coverage.

This trend has significant implications for insurers. As AI becomes better at assessing risk, traditional underwriting skills will be less of a competitive advantage. Insurers' proprietary expertise in risk assessment, long a cornerstone of their value proposition, may no longer set them apart in the market.

> To remain competitive, insurers must find new ways to differentiate themselves. This could involve offering superior customer service, developing innovative products or providing value-added services that go beyond pure risk transfer. The focus may shift from risk assessment to risk prevention and management, with insurers leveraging AI to offer proactive services that help customers mitigate risks before they occur.

Transparency will become paramount as AI assistants can instantly compare policies from every provider. Any lack of clarity in pricing or coverage will be immediately apparent, requiring insurers to commit to simple policy language and transparent pricing models. This transparency will extend to the AI algorithms themselves, with customers—and their AI assistants—demanding explanations for how premiums are calculated and why certain coverage decisions are made.

Customer experience will be transformed, with AI assistants handling most interactions. The occasional human touchpoints will become critical, requiring insurers to excel at providing high-touch, empathetic service when it matters most. This could lead to a bifurcation in the industry, with some insurers focusing on fully automated, low-cost coverage while others differentiate themselves through premium, human-centric service for complex insurance needs.

The customer journey will be radically simplified. A seamless interaction will extend beyond the insurer-customer relationship, encompassing a broader ecosystem of service providers. For example, a car insurance AI might communicate directly with a vehicle's onboard computer, repair shops, and even healthcare providers in an accident, orchestrating a comprehensive response without the policyholder lifting a finger.

In this AI-driven future, **traditional advertising and marketing strategies will become increasingly ineffective** as personal AI assistants take on the role of primary decision-makers in insurance purchases. Insurers should redirect a significant portion of their marketing budgets towards catering to AI assistants' needs, as well as developing their own AI solutions. By focusing on creating advanced AI systems capable of engaging effectively with customers' personal AI assistants, insurers can ensure their offerings are accurately represented and considered in the automated decision-making process.

Interestingly, this shift might also revive some traditional marketing channels. As AI assistants filter out most digital marketing efforts, insurers might find value in returning to billboards, television advertisements and other forms of mass media that still capture human attention directly. The goal would be to create brand awareness and preference that influences customers when they review AI-generated recommendations.

Regulation will play a crucial role in shaping the landscape. While current frameworks may not be fully equipped to handle AI-mediated transactions, we anticipate significant developments by 2030. Key considerations will likely include AI transparency and explainability, data privacy and security, algorithmic fairness, customer protection and AI governance.

Regulators may require insurers to explain AI decision-making clearly, especially for pricing and claims, while ensuring robust data protection measures. Insurers will need to demonstrate that their AI systems do not discriminate unfairly and that customers retain ultimate control over their insurance decisions.

All these changes present both opportunities and challenges for insurers. Those who embrace this transformation can reclaim market share from aggregators by offering a superior, AI-driven customer experience. By creating AI-assistant friendly interfaces and developing sophisticated AI systems that engage effectively with those customers' personal AI assistants, insurers can ensure their offerings are accurately represented and considered in the automated decision-making process.

Moreover, this shift allows insurers to compete on factors beyond just price. AI assistants can consider broader criteria when recommending policies, including coverage quality, an insurer's sustainability practices and customer service reputation. This could allow insurers to differentiate themselves in ways that were difficult in the aggregator-dominated market.

In this AI-driven future, the concept of insurance itself might evolve. Instead of reacting to loss events, insurance could become a proactive, continuous service that actively works to minimize risks and enhance the policyholder's quality of life. This shift from a transactional to a relational insurance model will require insurers to reimagine their role in their customers' lives and develop new business models to support this ongoing engagement.

The question is not if this transformation will happen but what insurers will do about it—those who fail to adapt risk becoming irrelevant in a market where AI assistants will prompt decisions.

4. Bridging the gap: Preparing for the AI-supported customer

Insurers must start preparing now to thrive in the 2030 insurance landscape.

1. **Embrace the business challenge:** The rise of AI assistants is not just a technological challenge but a fundamental business challenge requiring a strategic response. Drawing parallels with the rise of aggregators, insurers must decide whether they want to be winners or losers in this new landscape. This is an opportunity to reclaim ground lost to aggregators and redefine the insurance value chain.

2. **Understand the new customer:** Insurers need to develop a deep understanding of how customers interact with AI assistants and how these interactions shape insurance decisions. This involves researching AI assistant adoption rates, user behaviors and preferences.

3. **Adapt communication strategies:** AI assistants are becoming a new channel for customers to access information about insurance products. Insurers must redefine their communication strategies to effectively reach human customers and their AI assistants. This may involve developing API interfaces for AI assistants and ensuring that product information is structured in an easily parsed way by AI systems.

4. **Adjust product strategy:** Insurers must reconsider their product offerings in light of AI-driven, dynamic risk assessment. This may involve developing more flexible policies that can be easily adjusted based on real-time data and customer behavior. Insurers should also explore new product

categories that leverage AI capabilities, such as predictive maintenance coverage or behavior-based policies.

5. **Develop AI competencies:** To thrive in this new environment, insurers must build strong AI capabilities. This includes not only developing or acquiring AI technology but also fostering a culture of innovation and data-driven decision-making throughout the organiszation.

6. **Prepare for regulatory changes:** As AI becomes more prominent in insurance, regulators will likely introduce new rules to ensure fairness, transparency and consumer protection. Insurers should proactively engage with regulators and help shape these new frameworks.

7. **Redefine customer relationships:** In an AI-mediated insurance landscape, insurers must rethink how they build and maintain customer relationships. This may involve developing new touchpoints, leveraging partner ecosystems (car, home, health), creating value-added services or finding ways to inject a human element into largely automated interactions.

8. **Prepare a solid data foundation to drive informed insights:** As you seek to meet the challenges discussed, ensure that you have the breadth of high quality, well-governed, connected data available to those who will be designing and building the insurer of the future. Ensuring that you lay the foundation with a unified, trusted data platform will help you make critical decisions along the journey.

By addressing these key areas, insurers can position themselves to thrive in the AI-driven future of insurance. Those who act decisively now will be best placed to lead the future industry transformation.

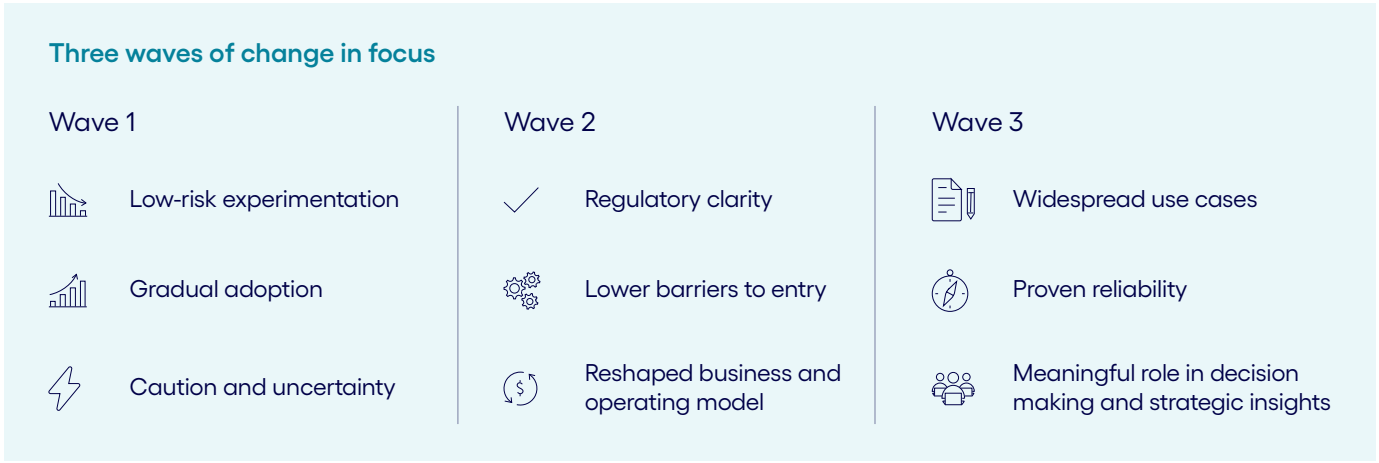

Figure 3: Diagram representing three waves of gen AI change.
Source: Oxford Economics and Cognizant "New work, new world" report, 2024.

As insurers navigate this transition, it's crucial to remember that the shift towards AI-mediated insurance is not just a technological challenge but a fundamental reimagining of the insurance business model. Success in this new era will require a holistic approach that combines technological innovation with strategic vision and a deep understanding of changing customer needs.

The future of insurance is AI-driven, and that future is rapidly approaching. The insurers who will thrive in 2030 and beyond are those who start preparing today. Are you ready to lead your organization into this new era?

Key takeaways

1. The future of insurance is AI-driven, personalized and proactive, with personal AI assistants becoming the primary interface between consumers and insurers
2. This transformation is inevitable and imminent, with technologies like LAMs and AI form-filling set to revolutionize the insurance buying process in the near future
3. Insurers face both existential threats and unprecedented opportunities in this new landscape, including the chance to reclaim ground from aggregators and compete on factors beyond price
4. A fully automated AI approach promises significant improvements in operational efficiency, customer experience, and data management but also raises new challenges in areas like regulation and workforce transformation
5. Regulatory frameworks will need to evolve to address the complexities of AI-mediated insurance, presenting both challenges and opportunities for proactive insurers
6. Success in this new era will require a holistic approach that combines technological innovation with strategic vision and a deep understanding of changing customer needs

Questions insurers should be asking themselves:

1. How well do we understand the potential impact of AI assistants on our business model and competitive landscape?
2. What existential threats and opportunities do insurers face in the new AI-driven landscape, and how can they compete beyond just pricing?
3. What strategies will be essential for insurers to succeed in the new era of AI-driven insurance, and why is a holistic approach important?
4. How can a fully automated AI approach improve operational efficiency, customer experience and data management in insurance, and what new challenges might arise?
5. How can we start experimenting with AI in ways that deliver immediate value while building towards our long-term vision?
6. What new skills and roles will we need in an AI-driven future, and how can we develop them now?
7. Are we prepared for real-time, usage-based insurance becoming the norm?
8. How can we differentiate ourselves in a market where AI has commoditized traditional underwriting?
9. What partnerships and ecosystem integrations will we need to succeed in an AI-driven insurance landscape?
10. Are we moving fast enough to keep up with the pace of AI-driven innovation in our industry?

“Any technological shift brings both risks and opportunities. Just like direct and telephone selling of insurance started the decline of retail brokers, and the internet led to the rise of aggregators, AI-driven insurance channels will disrupt some, while offering huge potential to those who embrace and lead the market.

Whether you aim to reaggregate your channels, gain deeper insights into your customer base to offer more personalized products, differentiate beyond price, or create and market products that weren't viable with traditional distribution, building AI skills and experience in your organization, supported by strategic data capabilities is critical to capture the generational opportunity AI represents for insurers.”

- Matt Quinn, Chief Data Officer, Microsoft UK

“We are at the dawn of a new era—not just a new technological era—but a new cultural and business era. The impact of generative AI will be significantly farther reaching than the industrial revolution and the invention of the electric lightbulb.

Generative AI gives us all an advisor with access to every piece of published human knowledge—with the ability to apply that knowledge to any given situation to provide advice and make reasoned decisions—and it does this more consistently and with more context than it is humanly possible to do.
The next decade will be defined by AI-inspired learning, disruption and change—success and failure may simply be a factor of who grasps the nettle first.”

- David Sexton, Vice President and Head of Insurance, UK&I at Cognizant

Authors

Cognizant

Colville Wood

CTO, Insurance, UK&I at Cognizant

Bio: Colville has been designing and delivering leading IT solutions for over 30 years. He has deep domain expertise in life and pensions, general insurance and London markets gained from multiple roles in UK and Ireland, Europe and America. Colville has a deep technical knowledge of software development and has focused in recent years on generative and vision AI. He is the architect of Cognizant's FrankieAI designed to rapidly prove, investigate and demonstrate the power of AI solutions.

Email: colville.wood@cognizant.com
LinkedIn: linkedin.com/in/colville-wood-588323/

David Sexton

Vice President and Head of Insurance, UK&I at Cognizant

Bio: David Sexton is Vice President and Leader of Cognizant's Insurance Practice for UK & Ireland, covering all industry subsectors—life and pensions, general insurance and the London market. He is responsible for Cognizant's response to the UK insurance industry challenges, delivering to our existing client engagements and bringing Cognizant's IT modernization and industry innovation to our clients and the UK&I insurance arena.

Email: david.sexton@cognizant.com
LinkedIn: linkedin.com/in/david-sexton-3407b911/

Diana Shveydel

Senior Business Consultant at Cognizant

Bio: Diana is helping insurance companies leverage technology for cutting-edge solutions and innovation. With extensive experience in the London and Lloyd's insurance market, Diana has a deep understanding of exposure management and catastrophe modelling. Drawing from her rich experience and expertise at leading Lloyd's syndicates, Diana brings a unique London market perspective to Cognizant's offerings.

Email: Diana.Shveydel@cognizant.com
LinkedIn: https://www.linkedin.com/in/diana-shveydel

Joynal Hussain

Business Analyst, Insurance UK&I at Cognizant

Bio: Joynal Hussain is a business analyst with over two years experience in general insurance. He plays a key role in sharing the potential of AI with insurers to transform the industry through innovative use cases on Cognizant's in-house platform, FrankieAI.

Email: Joynal.Hussain@cognizant.com
LinkedIn: https://www.linkedin.com/in/joynal-h-2574564b/

Microsoft

Matt Quinn

UK CDO, Azure Data and AI at Microsoft

Bio: Matt is the UK CDO for Microsoft UK's Solutions business. As part of the Azure Data and AI leadership team, he helps customers understand, plan for, and adopt some of the most cutting-edge services in Microsoft's portfolio. Matt helps customers connect strategies and adopt solutions balancing people, process and technology.

Email: matt.quinn@microsoft.com
LinkedIn: linkedin.com/in/cloudcomputingconsultant/

Cognizant (Nasdaq-100: CTSH) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at **www.cognizant.com** or **@cognizant**.

World Headquarters
300 Frank W. Burr Blvd.
Suite 36, 6th Floor
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277

European Headquarters
280 Bishopsgate
London
EC2M 4RB
England
Tel: +44 (01) 020 7297 7600

India Operations Headquarters
5/535, Okkiam Thoraipakkam,
Old Mahabalipuram Road,
Chennai 600 096
Tel: 1-800-208-6999
Fax: +91 (01) 44 4209 6060

APAC Headquarters
1 Fusionopolis Link,
Level 5 NEXUS@One-North,
North Tower
Singapore 138542
Phone: +65 6812 4000

© Copyright 2024, Cognizant. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the express written permission of Cognizant. The information contained herein is subject to change without notice. All other trademarks mentioned here in are the property of their respective owners.

WF2962852