CAKE&ARROW

A new golden age for insurance?

How AI can help make insurance a more human experience

Will AI be the tech trend that finally shakes up the insurance industry?

In our era of post-tech optimism, it's time we demand more from our technology

AI, despite being heralded as a force to revolutionize how we work, connect, and live, can sometimes feel like the inevitable technological endgame. More than any previous tech wave, AI raises the specter of dehumanization—robots taking over meaningful work while relegating humans to mundane tasks like 'AI prompt writing,' isolating individuals rather than fostering connection, and replacing every authentic human interaction with a digital one.

In our era of post-tech optimism, where 'enshitification' is the name of the game, promises that AI will enhance our lives, freeing us up to do the work that matters, ring hollow. Technology never just simplifies. If history has taught us anything, it inevitably introduces new complexities and challenges, along with negative societal impacts we only come to grapple with when it's too late. Why would AI be any different?

We have seen this play out in insurance. The industry rushes to adopt the next big thing, hailing it as the future, but then expensive implementations lead to worse customer experiences, wasted resources, and little real benefit to the people who need and buy insurance. Bad chat bots, intended to support customers with ease and efficiency,

have all but replaced genuine customer service, leaving customers frustrated, less knowledgeable, and more in the dark than ever before. Complex underwriting algorithms make it nearly impossible for customers to understand their own risks or how their premiums are calculated. Machine learning algorithms designed to streamline workflows have, in some cases, removed human judgment from important decisions. Instead of improving our experiences, these technologies have too often abstracted them, leaving both employees and customers disconnected, as critical human elements are replaced by algorithms that don't account for the nuances of individual people.

But what if we could learn from the shortcomings of the past and demand more from this new, far more powerful version of AI? What if, instead of focusing solely on efficiency, optimization, and cost reduction, we began not just by asking how can AI improve our lives, but demanding that it does?

In this report, we explore how AI can do more than streamline business operations, replace jobs, cut costs, and increase profits. We ask what it would mean for AI to do all of that—while also enhancing the human experience in insurance—making it richer, more connected, and ultimately more meaningful.

A question worth asking: Can AI usher in a new golden age for insurance? One where policies are easy to understand, affordable, and tailored to customer needs? Where employees are fulfilled and empowered, with the resources required to excel and flourish in their roles? Where businesses are unburdened by legacy technology, gaining streamlined access to data that helps them efficiently write and sell policies relevant to their evolving customer base? And where all of society—not just the privileged few—can access the protection and financial stability they need to thrive?

The state of AI in insurance

While AI is certainly not new to insurance, early applications of AI, while useful, haven't exactly revolutionized the industry. Focused primarily on optimization and cost-cutting, these initial adoptions centered around rules-based AI for fraud detection, underwriting automation, and chat bots for basic customer service interactions.

The rise of generative AI, marked by the launch of ChatGPT-4, has changed the game in insurance, opening up a host of transformative possibilities. GenAI promises to help companies not only streamline operations but also improve customer engagement and personalize policy offerings in real-time.

20% **Potential revenue increase**
According to Bain & Company, AI could increase revenues 15–20% and reduce costs 5–15% for an individual insurer

Some insurers are already seeing exciting results. Zurich, for example, has implemented AI tools to reduce the time to process claims by up to 40%, leveraging AI to analyze documents and photos to facilitate faster decisions.

Similarly, Lemonade has set a record by processing a claim in just two seconds using their AI system, "AI Jim, which runs fraud checks, evaluates the claim, and issues payment instructions almost instantly.

The car insurance startup, Jerry, implemented a GenAI chat bot called "Kelly Bota," which handles routine queries while freeing human agents to focus on complex issues. By leveraging LLMs, Jerry now responds to 96% of inbound messages within 30 seconds, with only 11% requiring human intervention. This system,

40% **Possible reduction in claims processing time**
Zurich's AI tools analyze documents and photos to generate decisions faster

launched in May 2023, has drastically improved response times and elevated the service experience.
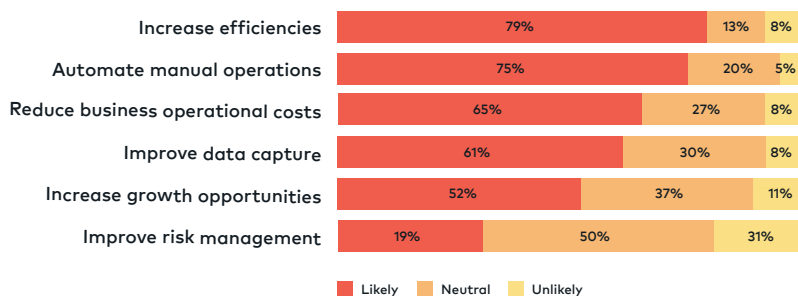
These companies are seeing significant improvements not just in efficiency, but also in customer engagement and overall experience

Still, despite the potential and a few promising use cases, much of the industry remains focused on using AI primarily to scale operations and reduce costs.

Chat bots still genreally only handle routine inquiries, algorithms assess risk, and AI models set premiums. Even as a handful of companies (mostly startups) explore AI for more personalized customer interactions, the predominant use of AI is still tied to efficiency gains rather than truly enhancing the human experience.

The future of AI in insurance will hinge on moving beyond automation to fully leverage the technology's ability to create more personal, transparent, and empathetic interactions. The opportunity ahead is clear: insurers must embrace AI as a tool not only

Improvements CEOs expect from GenAI

	Likely	Neutral	Unlikely
Increase efficiencies	79%	13%	8%
Automate manual operations	75%	20%	5%
Reduce business operational costs	65%	27%	8%
Improve data capture	61%	30%	8%
Increase growth opportunities	52%	37%	11%
Improve risk management	19%	50%	31%

Deloitte. Generative AI: Innovation in the Insurance Industry. *Deloitte*, 2024.

for optimizing operations but for rethinking how they connect with customers and deliver value.

AI and human experience

AI has shown that it can do some incredibly sophisticated things—analyzing vast amounts of data, automating repetitive tasks, and optimizing workflows. But what will truly be groundbreaking is what AI can do for the human experience. Insurance, an industry notorious not for its innovation but for its complexity and bureaucracy, is, as it seemingly has been for so long, ripe for transformation.

Imagine a world where AI helps customers navigate the insurance process with ease. Policies that are straightforward, claims that are resolved with a few clicks, and questions answered instantly by systems that understand nuance, not just keywords. A world in which AI reduces the frustrations that so notoriously define insurance interactions, turning them into seamless, even pleasant, experiences.

For employees, AI can be a game-changer by taking on the tedious, time-consuming tasks that weigh them down, allowing them to focus on higher-value work—building stronger relationships with clients, exercising creativity in problem-solving, and delivering personalized, empathetic service. No longer bogged down by administrative tasks, employees can contribute more meaningfully to the business, improving job satisfaction and retention while fostering a deeper connection with policyholders.

At a macro level, AI has the potential to scale these improvements across the entire insurance value chain, from distribution to claims management. By creating operational efficiencies, insurers can boost profitability, improve customer loyalty, and enhance long-term retention. Stronger customer relationships, forged through more personalized and seamless interactions, lead to better business outcomes. In this way, AI doesn't just optimize—it elevates the entire enterprise, making the insurance business itself more agile, competitive, and resilient.

Beyond business outcomes, there's also the societal impact insurance might have. Simplifying insurance, making it accessible and understandable to all, opens up financial protection to more people—people, who might otherwise be intimidated or left out by a complex system. In this sense, AI, when used thoughtfully, can foster a sense of inclusion and trust that insurance has long struggled to achieve.

The challenge—and the opportunity—remains: to shift the focus away from just automation and cost-cutting, and fully explore how AI can create a more beautiful, human-centered world.

How Can AI improve experiences across the entire insurance value chain?

For Customers →

For Employees →

For Businesses →

For Society →

Will insurance finally shake its reputation as a complex, out-of-touch industry to offer something frictionless and modern—where customers feel in control, employees get to do the work they love, the business thrives, and everyone feels more stable and protected?

For customers:

How might AI transform static policies into humane conversations?

The problem: **The burden of complexity.** Insurance, at its core, is a complex industry. Policies are dense with technical jargon, products are difficult to compare, and the process of making a claim or understanding coverage can feel like navigating a maze without an exit. This complexity is one of the biggest barriers to creating a positive human experience in insurance. Customers often find themselves overwhelmed and frustrated, feeling more like they're interacting with a soulless (if not outright) hostile system than being cared for by a service provider. And while insurers strive to be transparent, the intricacies of risk, coverage, and premiums create a gulf between the customer and the industry that leaves many feeling alienated.

"I feel like I'm always second-guessing my insurance. I know I need it, but it's hard to feel confident you're getting what you pay for when you can't even figure out what's covered."

Mike, User Research Participant
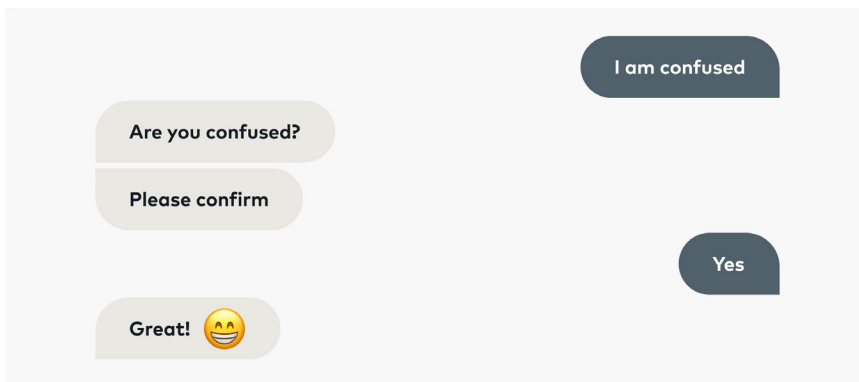
The misfire: Dumb chat bots. In recent years, insurers have turned to rules-based AI in hopes that automation and machine learning might simplify the customer journey. And while AI-powered chat bots and virtual assistants have taken over some of the more straightforward tasks, even the best chat bots tend to focus on the complexities of the business itself—not of the customer. They excel at understanding the data, the policies, and the mechanics behind the scenes, but struggle to address the unique, nuanced needs of each individual customer. Personalization remains surface-level because most AI systems are optimized for efficiency, not empathy. The result is at best a faster process, but not necessarily a more rewarding or more human one.

50% **Consumers are frustrated by chat bots** and nearly 40% of chatbot interactions are reported to be negative

The golden opportunity: Personalization that's perfectly in tune. The true power of AI lies not just in automating tasks but in its ability to combine the complexities of insurance products with a deep, nuanced understanding of each customer. Generative AI can help insurers craft highly personalized experiences that move beyond basic data processing. These systems don't simply analyze customer information—they interpret it, allowing them to tailor every interaction and recommendation to the individual's unique circumstances, preferences, and behaviors.

This deeper integration of AI transforms the insurance process from a transactional experience into a personal one. AI can simultaneously navigate the complexities of underwriting, pricing, and policy structure while offering insights that reflect an understanding of the human behind the policy. The result is a customer experience that feels intuitive and responsive, as if the system truly "knows" the customer. It's not about efficiency for efficiency's sake—it's about making the customer feel heard and understood in every interaction, which in turn builds trust and loyalty.
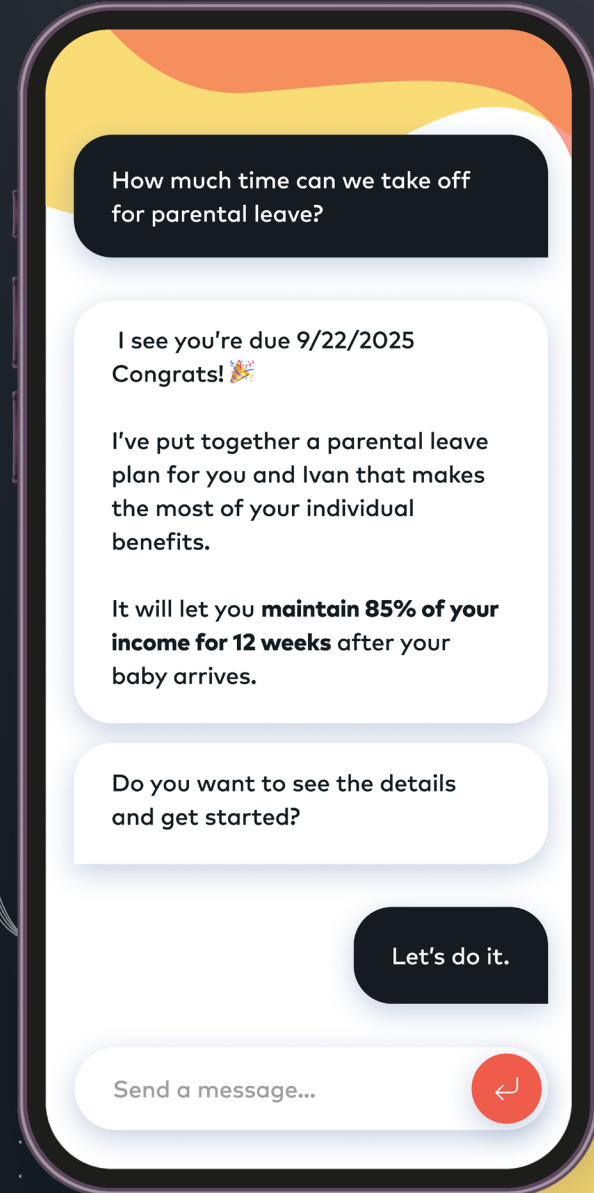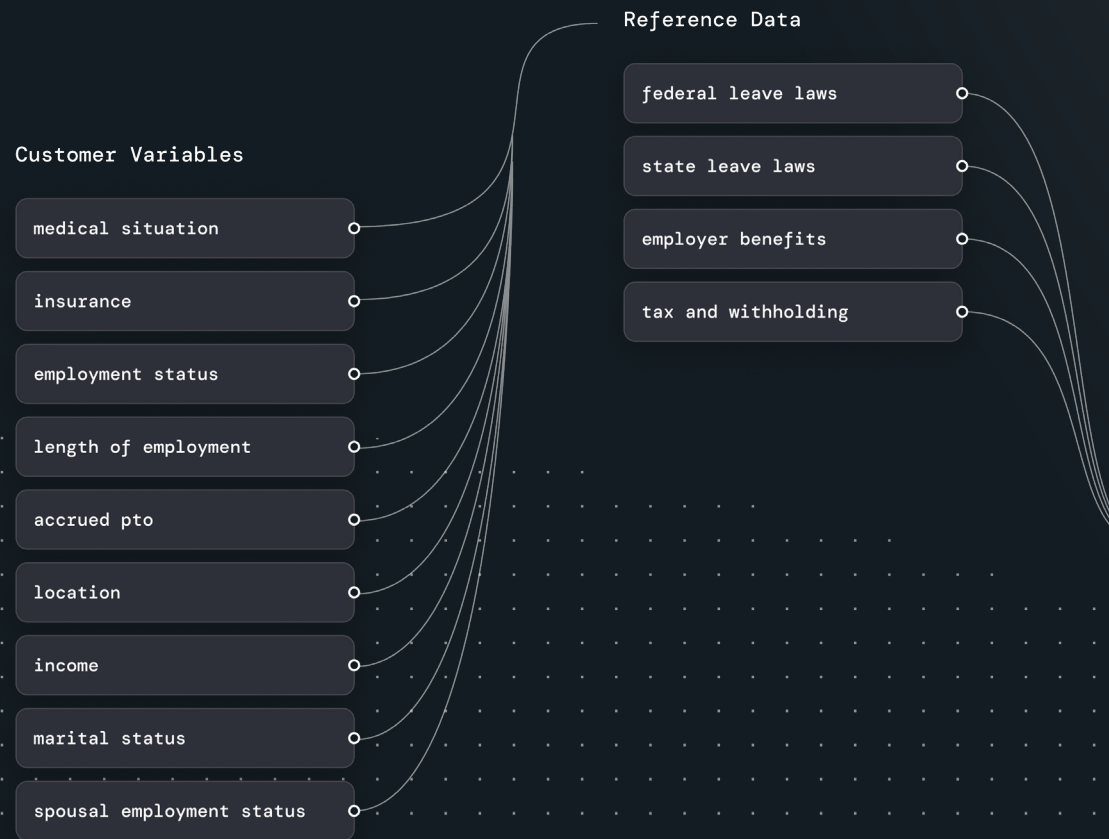
In this future, AI is not just a tool for faster service but a means of making feel customers feel safe, protected, and confident in their insurance coverage, offering clarity and comfort in an industry that has always felt opaque and confusing. The potential to humanize insurance through these personalized, empathetic experiences is the real promise of AI.

AI Benefits Advisor

Synthesizes info about personal situation, preferences, employer benefits, and government programs to provide optimized and personalized guidance.

Customer Variables

- medical situation
- insurance
- employment status
- length of employment
- accrued pto
- location
- income
- marital status
- spousal employment status

Reference Data

- federal leave laws
- state leave laws
- employer benefits
- tax and withholding

Chat interface:

How much time can we take off for parental leave?

I see you're due 9/22/2025 Congrats! 🎉

I've put together a parental leave plan for you and Ivan that makes the most of your individual benefits.

It will let you **maintain 85% of your income for 12 weeks** after your baby arrives.

Do you want to see the details and get started?

Let's do it.

Send a message...

Advantages & Trade-offs: The human consequences.

As AI-driven personalization becomes more sophisticated—perhaps even surpassing human interaction in some areas—insurers must ask themselves: What are we trading off in the process? Where does human interaction fit into this equation? When knowledge about customers and policies is outsourced to AI, how do organizations maintain institutional knowledge?

"For most of our businesses and companies, it will not be man or machine… it will be a symbiotic relationship. Our purpose is to augment and really be in service of what humans do."

Ginni Rometty, Former CEO, IBM

POSSIBLE ADVANTAGES

Simplifies processes: AI streamlines complex insurance policies, making them easier for customers to understand and engage with.

Builds trust and engagement: AI creates personalized interactions that make customers feel understood and valued, strengthening their connection to the insurer.

Delivers tailored value: AI fine-tunes policies to meet specific customer needs, improving stability and satisfaction with coverage.

POSSIBLE TRADE-OFFS

Reduces workforce: As AI simplifies processes, roles like customer service agents and underwriters may be reduced or transformed, leading to job displacement and shifts in required skills.

Blurs brand identity: While AI personalizes interactions, reduced human touchpoints can make insurance companies themselves feel more generic, weakening brand loyalty.

Erodes internal expertise: As AI takes over personalization, reliance on automation can erode employee expertise, making it harder to manage complex cases and provide nuanced advice.

For employees:
How might AI better balance workloads?

The problem: Employee burnout. In the insurance industry, claims departments and call centers are a critical aspect of the business, and are especially important to policyholders during high-impact events, such as storms and natural disasters. However, the workload during these times can be overwhelming for employees, particularly claims adjusters, who must manage an influx of cases. Many adjusters report working long, exhausting shifts, leading to burnout and poor work-life balance. Spend just a few minutes perusing the claims adjuster sub-Reddit, r/adjusters—where these issues are well-documented, with adjusters expressing deep frustration over the demanding nature of the job and the lack of resources to handle rising claims volumes effectively.

Contributing to this problem is a **declining pool of claims adjusters**. Not only are baby boomers retiring, but the role has lost appeal due to its high-pressure environment. The pandemic exacerbated this trend, as many adjusters left during the "Great Resignation" or were laid off due to reduced claims early in the pandemic. As insurers now attempt to rebuild their teams, they face a shortage of talent, with fewer younger workers interested in taking on the job.

The impact of this shortage trickles down to customers, particularly during high-stakes situations when they need fast, reliable service. With fewer adjusters available to handle claims, customers often experience long delays in processing, increased wait times for follow-ups, and overall slower service. In extreme cases, overworked adjusters can't

respond promptly to policyholders, leaving customers feeling unsupported during crises when they are most vulnerable.

This dynamic creates a feedback loop of dissatisfaction: adjusters become more overwhelmed as claims pile up, leading to increased burnout and even higher attrition rates. Meanwhile, customers lose confidence in their insurers, feeling frustrated by the delays and lack of empathy in their time of need, further eroding trust between policyholders and insurers.


"I feel like I'm on the edge of a nervous breakdown everyday. I've handled around 1,200 claims this year. I often work 60+ per week. Often 12–14 hour days and weekends. And I'm still so hopelessly behind."

Claims Adjuster on r/adjusters

The misfire: Scheduling in the service of the business, not the employee. In the insurance industry, smart scheduling tools like those used in retail and healthcare might seem an obvious solution to help claims departments and call centers to manage high-volume events, but they have often fallen short.

But in these other sectors, scheduling software has focused on maximizing efficiency and reducing labor costs, often neglecting employee well-being. This has led to unpredictable shifts, overworking high-performing staff, and under-utilizing part-time workers during high-demand periods. Again, just look Reddit (specifically r/retailhell) to find these experiences recounted in all their excruciating detail.

The same problems exist in the restaurant and hospitality industries, with an especially negative impact on parents whose need for consistent work schedules often conflict with unpredictable algorithmic scheduling. Since they were first adopted in the mid 2010s, these technologies have been "injecting turbulence into parents' routines and personal relationships, undermining efforts to expand preschool access, driving some mothers out
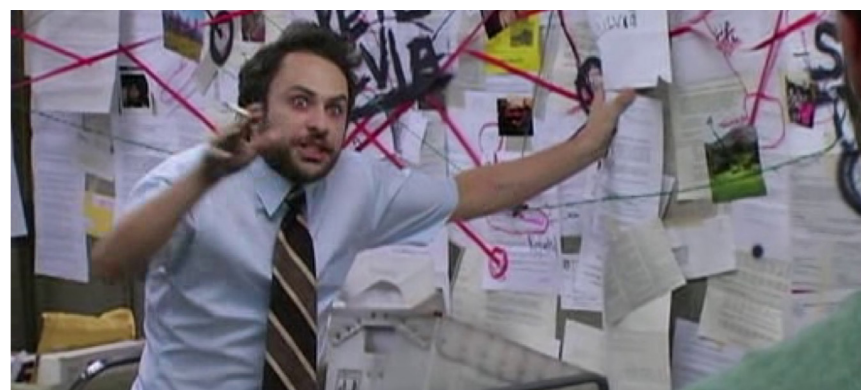
Trying to explain my schedule to people with normal working hours.

of the work force and redistributing some of the uncertainty of doing business from corporations to families."

Although specific examples in insurance are less well-documented, these patterns reflect broader concerns about smart scheduling systems that prioritize cost and efficiency over employee preferences and well-being.

"My schedule changes DAILY and sometimes while I'm already at work! I HATE schedule apps that let the managers do this w/out asking. When I set my availability, they go back in and change it to anytime."

Retail worker on r/retailhell

The golden opportunity: **Anticipate and distribute work more empathetically and equitably.** Human-centered AI offers a smart solution by predicting and adapting in real-time to workload surges, all while keeping employee well-being in mind. Using real-time data like weather forecasts and customer locations, AI-driven scheduling tools can help insurers adjust staffing ahead of time, bringing in part-time and temporary

workers when things get busy. Still, it's important to remember the lessons from retail and hospitality; while algorithmic scheduling can create efficiencies for the business it can wreak havoc on employees' lives.

A better example might come from the healthcare industry's traveling nurse model. Instead of just haphhazardly filling gaps, traveling nurses are highly trained, well-paid, and brought in during surges to support the full-time team. According to Nurse. org, traveling nurses typically earn more than their full-time counterparts and have the flexibility to choose assignments, leading to higher job satisfaction and better performance. This model shows how temporary workers can step in to relieve pressure on full-time staff while still maintaining a high standard of service and a high standard for employee well being.

For customers, an AI-driven staffing approach that values service quality and employee well-being will ideally result in shorter wait times and better customer service when its needed it most. Employees will feel less stressed, allowing them to focus on delivering more empathetic care, while highly-trained, well-compensated temporary workers are seamlessly integrated to maintain efficiency without overwhelming the team. With this approach, human-centered AI shifts insurers from reactive crisis management to proactive, people-first solutions that benefit both employees and customers.
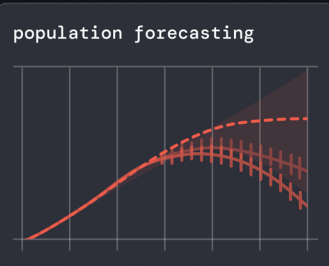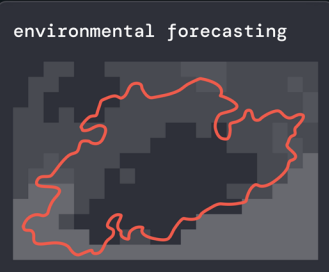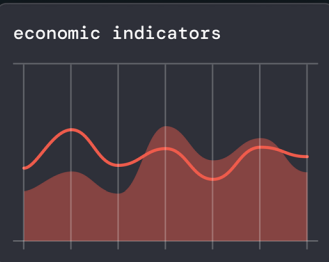
AI Staff-up Specialist

Predicts possible disruptive events and facilitates appropriate staffing levels to handle anticipated increases in claims and servicing.

Deep Learning Models

economic indicators

environmental forecasting

population forecasting

Reference Data

staffing trends

seasonal hiring patterns

workload volume

historic claims data

growth projections

onboarding & training

regulatory changes

Tropical Storm Hilary expected to hit land by 5pm Thurs. Projections show significant flooding and wind damage in Southern CA, NV, and AZ.

Recommend deploying **50 additional claims adjusters** to the area within the next 48 hours to manage high claim volume.

Do you want to verify details and deploy?

Yep, let's go.

Send a message...

Advantages & Trade-offs: **Balancing efficiency and stability.**

As AI tools for workload management grow more advanced—offering greater efficiency and precision—insurers need to consider what might be lost along the way. While these tools can distribute work more fairly and help manage surges, are they truly addressing the risk of underemployment, as seen in other sectors? Can part-time and temporary staffing solutions coexist with maintaining full-time opportunities for employees? And as AI increasingly drives decision-making, how do companies ensure that human judgment remains central, especially in handling the unexpected or nuanced needs that algorithms may overlook?

"AI must have algorithmic accountability so that humans can undo unintended harm. We must design these technologies for the expected and the unexpected."

Satya Nadella, CEO, Microsoft

POSSIBLE ADVANTAGES

⭐ **Predicts and adapts to surges:** AI manages high-volume events, improving resource use and operations.

⭐ **Distributes work fairly:** AI considers preferences and skills to balance workloads, preventing burnout.

⭐ **Boosts efficiency:** Temporary workers prevent full-time staff from being overwhelmed, improving service speed.

⭐ **Improves well-being:** AI balances workloads, reducing stress and promoting work-life balance.

POSSIBLE TRADE-OFFS

❓ **Less stable employment:** Using temp workers to handle surges may reduce FT positions, affecting job security.

❓ **Limits human judgment:** Over-reliance on AI may reduce flexibility and empathy in situations needing a human call.

❓ **Hurts team cohesion:** A transient workforce may weaken team relationships, lowering morale and service quality.

❓ **Over-dependence on AI:** Leaning on AI for staffing can cause issues if the system fails or can't adapt to changes.

For the business:
How might AI capture and translate wisdom for the next generation?

The problem: Industry brain drain. One of the most acute challenges the insurance industry is facing today is the industry brain drain created by the onslaught of Baby Boomer retirees. These seasoned professionals are taking decades of institutional knowledge with them, leaving a generation-sized knowledge gap that no one is quite sure how to fill. This is particularly evident among claims adjusters, underwriters, and brokers—who serve as key translators of complex insurance policies.

Brokers, in particular, are major repositories of knowledge. They hold not only deep expertise in insurance products but also a nuanced understanding of client needs and preferences, built up over years of relationships. As these veteran brokers retire, they take with them an invaluable ability to demystify policies for clients, leaving younger brokers and employees to shoulder the burden of both learning complex products and maintaining client trust. This makes the knowledge gap even more critical, especially in specialized or commercial lines where policies are more complex and the stakes are higher.

400K **Insurance industry employees in the US expected to retire by 2026**

Without effective mechanisms to capture and pass on this expertise, younger employees face steep learning curves, which may lead to slower service, reduced customer satisfaction, and even the risk of losing clients who depend on those long-standing relationships. The challenge isn't just about technical knowledge but also about the soft skills and human touch that experienced employees have honed over time.

The misfire: Traditional mentorship and knowledge sharing.
Companies have tried to address industry brain drain through a variety of methods—mentorship and practice leadership programs, and more intentional documentation, but these methods often fall short. Mentorship and practice leadership, though valuable, require time that senior employees approaching re-

tirement and younger workers juggling complex roles simply don't have.

Similarly, written documentation frequently misses the subtleties of client relationships, risk assessments, and the "gut instincts" brokers and adjusters develop. As a result, newer employees are left with fragmented information rather than a comprehensive understanding of the job's complexities.

To truly bridge this gap, the industry needs to explore more innovative approaches. AI-driven tools, for example, could capture real-time decisions and processes, transforming that expertise into dynamic systems that help newer employees internalize best practices and build their own judgment. By leveraging advanced tools that simulate expert reasoning and customer interactions, insurers can preserve critical knowledge across generations.

"For very senior brokers, so much of our knowledge is basically muscle memory; we can instinctively access it in the moment but transferring this knowledge is a real challenge. There is so much to share. Where do we start and who has the time to even begin what would be a very long process?"

Mark Smith, SVP & Professional Liability Broker, CRC Group

The golden opportunity: **Dynamic knowledge transfer.** As the insurance industry grapples with the retirement of Baby Boomers and the loss of critical institutional knowledge, AI has the power to step in as a smart solution to harness expertise and make it accessible for the next generation of employees. With AI-powered tools that can dig through years of documentation, correspondence, and decision-making processes in real-time, the industry can capture and preserve expert insight, transforming it into structured, actionable knowledge that can guide the next generation.

The use cases are endless. AI can analyze the policy audits of experienced brokers to understand how they refine language and identify gaps in coverage, offering new brokers real-time guidance as they audit their own customer's policies. Likewise, AI can study past assessments from seasoned claims adjusters to help newer adjusters make faster, more informed decisions. For underwriters, AI could capture their approach to complex cases to provide real-time suggestions to guide less experienced team members.

Such AI systems would be more than static knowledge repositories, but using GenAI, they would offer real-time decision support to employees. Whether it's a claims adjuster managing a complex case or a new broker needing assistance with policy language, AI tools can provide context-based recommendations grounded in expert historical decisions.

Over time, this approach would ensure that the organization's knowledge continues to evolve, enabling new employees to build on the foundation set by previous generations while also adapting to new market conditions.

By dynamically capturing and distributing knowledge, AI could not only prevent critical expertise from leaving the organization but also foster a culture of continuous learning, enabling insurance companies to maintain both the depth of knowledge and the human touch that are so essential to their success.
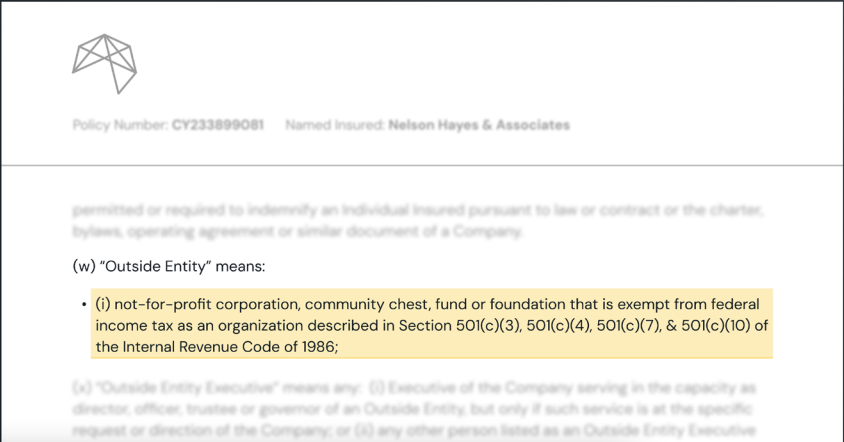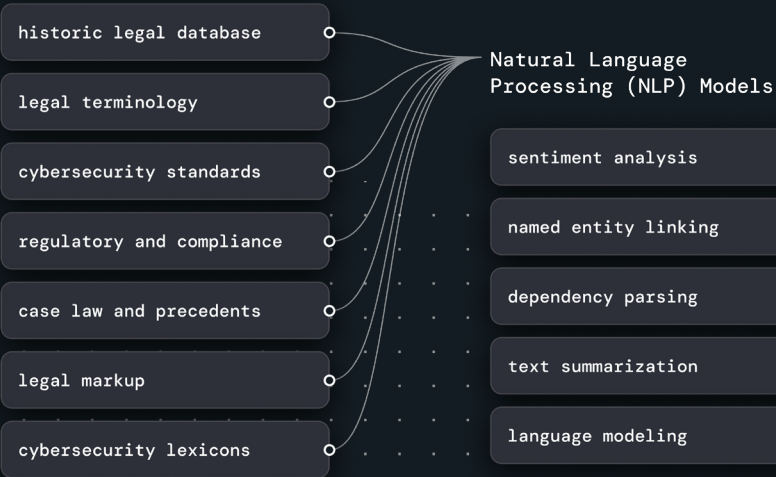
AI Knowledge Manager

Captures and preserves expert knowledge, offering real-time support to new employees and ensuring continuity as the workforce evolves.

Reference Data

- historic legal database
- legal terminology
- cybersecurity standards
- regulatory and compliance
- case law and precedents
- legal markup
- cybersecurity lexicons

Natural Language Processing (NLP) Models

- sentiment analysis
- named entity linking
- dependency parsing
- text summarization
- language modeling

Policy Number: **CY233899081**   Named Insured: **Nelson Hayes & Associates**

permitted or required to indemnify an Individual Insured pursuant to law or contract or the charter, bylaws, operating agreement or similar document of a Company.

(w) "Outside Entity" means:

- (i) not-for-profit corporation, community chest, fund or foundation that is exempt from federal income tax as an organization described in Section 501(c)(3), 501(c)(4), 501(c)(7), & 501(c)(10) of the Internal Revenue Code of 1986;

(x) "Outside Entity Executive" means any: (i) Executive of the Company serving in the capacity as director, officer, trustee or governor of an Outside Entity, but only if such service is at the specific request or direction of the Company; or (ii) any other person listed as an Outside Entity Executive

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Suggested Replacement   2 of 3

(i) any not-for-profit entity, community chest, fund or foundation classified by the Internal Revenue Code of 1986 and any amendments thereto

(ii) entity organized for a religious or charitable purpose under any not-for-profit statute

(iii) entity listed as an Outside Entity in a written endorsement issued by the Insurer to form a part of this Policy;

provided that such organization or entity is not otherwise an Insured Entity under this Policy.

The suggested language is less ambiguous, and avoids any situations that could lead to uncertainty regarding coverage.

PAST USAGE

📄 Safeway Contract - June 2023
📄 Patagonia Quote - May 2024

Ignore   Update

Advantages & Trade-offs: Safeguarding knowledge, sacrificing growth? With a wave of retirements looming, the insurance industry is on the brink of losing decades of expertise—an impending brain drain that could leave a devastating gap in its institutional knowledge. But what if AI could step in to capture that wisdom and pass it on to the next generation? By transforming the experience of seasoned professionals into structured, actionable insights, AI offers a way to preserve and share the deep expertise that might otherwise disappear.

As promising as this sounds, it sparks new questions: Could the growing reliance on AI erode the personal mentorship that's been key to nurturing talent? And as newer employees depend on AI for guidance, will they miss the chance to develop their own critical judgment and creative problem-solving skills?

POSSIBLE ADVANTAGES

Preservation of expertise: AI captures and preserves critical knowledge from seasoned employees, ensuring it's accessible after they retire or move on.

Real-time decision support: AI provides new employees with real-time, context-based recommendations, speeding up decision-making.

Scalability of knowledge: AI scales expertise across the organization, ensuring consistent guidance for all employees.

Efficiency in onboarding: AI provides structured guidance, reducing the learning curve for new hires.

POSSIBLE TRADE-OFFS

Loss of mentorship: AI may reduce opportunities for human mentorship, which fosters deeper development and confidence.

Over-reliance on AI: Employees may depend too much on AI, limiting their ability to develop critical thinking and judgment.

Standardization over innovation: AI may prioritize past patterns, stifling creative problem-solving and new approaches.

Data privacy concerns: AI's use of sensitive internal information raises potential privacy and ethical issues.

For society:
How might AI work with communities to make insurance work better?

The problem: Insurance is increasingly inaccessible for people who need it most. Insurance premiums are sky-rocketing, driven by a mix of increased claims costs, rising risks from climate change, and industry inefficiencies. In some regions, insurers have raised premiums by double digits to manage the growing risk of extreme weather events, leaving many unable to afford adequate coverage.

Not only are premiums rising, but insurers are also narrowing coverage, offering less protection while charging more. This hard market is leaving policyholders with fewer options, forcing them to absorb more risk themselves or go without insurance altogether.

In addition to rising premiums, the industry is weighed down by administrative bloat. Up to 30% of premium dollars are absorbed by administrative costs, stemming from outdated underwriting processes, manual claims handling, and layers of bureaucracy. These inefficiencies not only inflate premiums but also slow down customer service, making it harder for individuals to access the protection they need.

The impact of climate change is making this crisis worse. As severe weather events become more frequent, the cost of

30% Premium dollars are absorbed by administrative costs

insuring homes and businesses in high-risk areas is climbing, leaving more people exposed to financial ruin without adequate protection. The combination of skyrocketing premiums, administrative inefficiencies, and growing climate-related risks is creating an unsustainable insurance model that increasingly leaves the most vulnerable populations without coverage.

Addressing this issue will require a fundamental shift in how insurance is delivered, focused on reducing costs and making coverage more accessible, especially in a world facing increasing climate threats.

The misfire: Innovation ahead of its time. The insurance industry has introduced several innovations to address under-insurance, but many have struggled to gain traction. Automated underwriting and policy comparison tools have made

ONE DOES NOT SIMPLY UNDERSTAND THE BLOCKCHAIN!!!

insurance more accessible, but they haven't solved the deeper issues of administrative inefficiency and affordability. These innovations still rely on costly legacy processes, driving premiums higher, while climate-related risks continue to push coverage further out of reach for vulnerable populations.

Innovative insurance models like usage-based insurance (UBI), microinsurance, and peer-to-peer (P2P) insurance have emerged as solutions to under-insurance. UBI, driven by telematics, offers personalized premiums based on real-time driving data, while microinsurance provides low-cost, specific coverage for under-served populations, particularly in emerging markets. P2P insurance introduces community-driven risk-sharing models that promise more transparency and cost-efficiency. These models are designed to address gaps in traditional insurance offerings by making coverage more tailored and accessible.

However, without advanced technology to support scalability these innovations have failed to take off. While Blockchain has been suggested as a potential solution for secure and transparent processes, it faces challenges with scalability and integration into legacy systems. Without AI to process vast data sets, manage dynamic pricing, and automate operations, these models remain niche. The administrative and operational costs are too high, particularly for microinsurance, which requires automated back-office functions to be cost-effective. Similarly, P2P models depend on AI for efficient risk management and group dynamics, which is still lacking in most implementations, preventing these innovations from truly transforming the market.

> "The concept of microcredit was abused by some and turned into profit-making enterprises for owners of microcredit institutions…I felt terrible that microcredit took this wrong turn."

Muhammad Yunus, Nobel Peace Prize-winning economist

The golden opportunity: **A P2P platform that displaces the business of insurance.** AI has the power to transform the future of insurance, completely changing how coverage is priced, sold, and managed. By tapping into real-time data—like health records or environmental risks—AI can help insurers price risk more accurately. This could lead to fairer premiums and make insurance more affordable for people who need it most, especially as trends like climate change continue to destabilize underwriting. Plus, AI could cut out the bureaucratic back-office inefficiencies that drive up costs, streamlining everything from underwriting to claims.

Peer-to-peer (P2P) insurance has been tried before but struggled with issues like trust and fair claims management. AI could be the key to finally making these models viable. With AI handling real-time risk analysis and claims processing, and smart contracts automating payouts when specific conditions are met, the whole system could run smoothly, transparently, and more equitably—reviving the concept as a scalable and equitable solution.

Ultimately, AI could turn insurance from a complicated, premium-driven product into a utility-like service that's easy to access and affordable. With AI managing risk and smart contracts handling claims, the process would be more transparent and efficient, especially for underserved communities. As climate risks grow, this kind of AI-powered innovation is exactly what's needed to keep insurance as a reliable safety net for everyone.
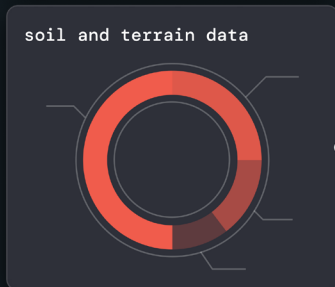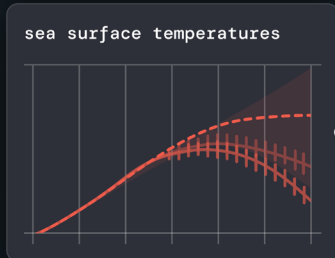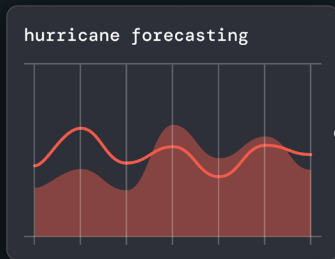
AI Dynamic Affinity Coverage

Pools, assesses, and manages risk in real-time, allowing consumers to get the affordable coverage they need, when they need it.

Deep Learning Models

- hurricane forecasting
- sea surface temperatures
- soil and terrain data

Consumer Regional Data

- location
- income
- net home value
- mitigation measures
- current coverages
- regional damage records
- regional claims data

Protect our homes
23,894 in the pool

Hey Jamelle,

CommonCause predictions show the Boulder Ridge Fire getting closer to your area 🔥.

Right now, based on your home's location and fire-resistant upgrades, your one-time protection pool opt-in rate is **$35**.

If your home ends up within the impact zone, you'll get an automatic $50,000 payout.

Lock in coverage now as rates may rise as the fire advances. The pool will remain active until the fire is contained or the risk has passed.

+112 115 near you have opted in

Wise-water pool
7,239 in the X-pool

Hey Spencer! Jamie and Rafi just joined the CommonCause float safety pool.

For you, it's just $20 to have 🛶 ready if you hit rough waters, and their costs drop when you join too.

And if everyone stays safe like last time, you'll all get credit toward your next float.

+2 6 in your crew have opted in

Hey it's Jess. Heads-up—looks like there's like a 40% chance the storm could mess with Gil and Cynthia's wedding 🌧️✈️🏝️😭. I know we've all spent a lot on St. Lucia flights and hotels, etc. so I set up a CommonCause pool just in case.

If we join now, it's just $20. Then if we have to cancel, we'll all get money back to cover our costs. We did this for Gracie's Vegas thing, thank goodness! 😇

I've messaged the bridesmaids, but please pass this on to anyone else you know is coming! 🤞😊🏝️

+11 14 wedding guests have opted in

Tap here to join! →

Advantages & Trade-offs: Automation and accountability; community or chaos. As AI and smart contracts make P2P insurance models viable, a bold vision for making insurance more accessible emerges—but at what cost? While AI can streamline processes, reduce costs, and make risk-sharing models more accessible, it also brings significant concerns about transparency, trust, and the human impact of automation. Can AI truly foster the sense of community and mutual accountability that P2P models rely on? And as insurance shifts toward being more utility-like, what will happen to the thousands of jobs tied to the industry's administrative functions?

"Greatness isn't having a technology, but the know how to do something with it."

Ginni Rometty, Former CEO, IBM

POSSIBLE ADVANTAGES

⬡ **Accurate risk assessment:** AI offers precise risk evaluations, leading to fairer premiums and improved accessibility for underserved groups.

⬡ **Real-time risk management:** AI enables dynamic risk assessment and pricing adjustments, helping groups make smarter, faster decisions.

⬡ **Scalability:** AI allows P2P insurance models to scale easily, enabling new entrants to join without straining the system.

⬡ **Trust through transparency:** AI provides clear, data-driven decisions, fostering trust through transparent claims processes.

POSSIBLE TRADE-OFFS

? **Job losses:** Automation could eliminate many jobs in claims processing, customer service, and underwriting, leading to industry-wide displacement.

? **Loss of human judgment:** AI's efficiency and transparency come at the cost of personal relationships and empathy, reducing the human touch in customer interactions.

? **Market consolidation:** Larger players may dominate the market as AI scales, reducing competition and innovation, potentially harming consumers.

? **Ethical concerns:** Increased reliance on AI raises issues around privacy, bias, and fairness, which could erode trust.

Humanizing the future of insurance

The future of AI is ours: as we stand on the brink of a new era in insurance, the question isn't just how AI will reshape the industry, but how we can harness it to create a future we want to inhabit.

In a recent keynote, Zack Kass, AI Futurist and Former Head of Go-to-Market at OpenAI, reminded an audience of insurance professionals and innovators, that for all of the promises of AI (and there are many), there are just certain things AI just isn't very good at. Humanistic activities, for example, is one of them. In the context of industries like insurance, humanistic activities might involve roles where empathy, ethical decision-making, and personal interaction are essential, such as customer service or claims handling. These roles focus on the human experience rather than pure efficiency or automation. He challenged the crowd to "design around the things AI cannot do."
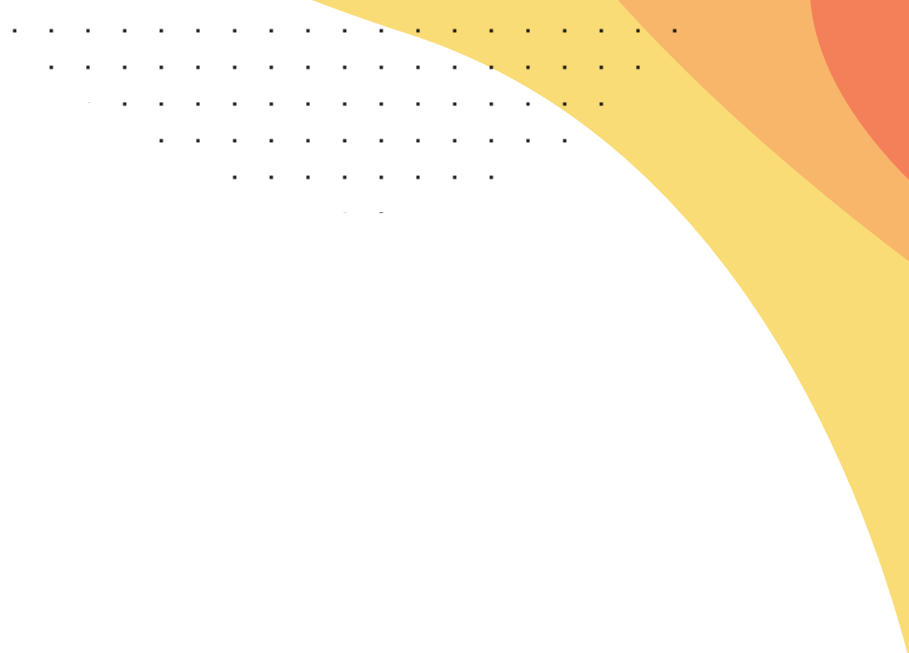
As the industry continues to push forward in adopting AI, thoughtfully balancing technology with human expertise— particularly in roles that involve humanistic activities will be critical to whether or not this new "golden age of insurance" can actually materialize.

The potential of AI to reshape the insurance industry is undeniable, but whether this transformation leads to deeper, more human-centered experiences or simply more efficient profit-making machinery depends on the choices we make now. AI, for all its capacity to streamline and automate, can either perpetuate the transactional, impersonal nature of insurance or usher in a future in which the human experience is elevated.

But achieving this vision requires more than just adopting AI at scale. It demands a fundamental shift in how we deploy technology. If left unchecked, AI could easily be used to reinforce existing inefficiencies or serve only to maximize profits. Without thoughtful design, a human-driven mission, and ethical oversight, AI could exacerbate customer frustrations, create opaque systems, and deepen distrust in an industry already struggling with issues around trust and accessibility.

The real opportunity lies in using AI to enhance—not replace— human connection. For employees, AI can take over repetitive tasks, enabling them to focus on higher-value, human-driven work: building relationships, offering empathy during difficult moments, and providing nuanced advice. For customers, it can remove the friction of outdated processes, making insurance feel less transactional and more like a service designed around their specific needs.

Yet, this future will only materialize if we demand more from AI than just operational gains. It requires intentional choices, where technology is used to deepen trust, simplify complexity, and foster accessibility. AI must be implemented with safeguards that prioritize fairness, equity, and human dignity—ensuring that efficiency never comes at the cost of the human experience.

At the heart of this transformation is AI alignment—the concept that AI should not only reflect human values but also help guide industries toward more equitable and human-centered practices. In insurance, this means designing AI systems that go beyond optimizing existing business models and instead actively work to foster trust, transparency, and accessibility. By aligning AI with a vision of insurance that truly serves people, we can create a more compassionate and responsive industry—one that balances the power of technology with the needs and experiences of individuals. When approached thoughtfully, AI holds the potential to reimagine insurance as a force for good, helping companies build stronger, more authentic connections with the customers and communities they serve. Ultimately, this alignment ensures that AI not only improves business outcomes but also contributes to making people and society safer, more secure, and better protected against the uncertainties of the future. &

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