AM BEST SINCE 1899

BEST'S SPECIAL REPORT

*Our Insight, Your Advantage®*

Trend Review
April 27, 2026

# Artificial Intelligence Appears to be Ready, But Most Insurers Are Not

**AM Best's recent AI survey evaluates the industry's position on strategy and implementation**

## Principal Takeaways

- AI is expected to transform the insurance industry within the next one to three years.
- Insurers are adopting formal AI policies to remain accountable and ensure fair, ethical, and secure usage.
- Insurers are deploying AI across their organizations, with IT and developer productivity emerging as a primary focus area.
- AI is seen as an effective tool to augment the current workforce, not eliminate it.

In November 2025, AM Best conducted a market-wide survey of rated carriers and managing general agents (MGAs) to gauge the impact of artificial intelligence (AI) on the insurance industry. AI has developed from a futuristic concept to a commonplace tool, as highlighted by the 152 participants in this survey. Results show that companies are increasing their investment in AI to boost productivity, streamline processes, and gain competitive advantage amongst their peers. Unsurprisingly, insurers have identified themselves as risk averse and less advanced than other industries in technology. The majority of survey respondents stated they will cautiously keep pace with the rest of the industry and learn from their peers in order to be successful followers when implementing AI at their organizations (please refer to **Appendix, Question 6**).

Artificial intelligence (AI): AI refers to machine learning based systems that learn patterns from data to perform tasks such as prediction, classification, recommendation, and decision support. This includes supervised, unsupervised, and reinforcement learning, as well as common application areas like natural language processing, computer vision, anomaly detection, and predictive analytics.

Generative AI: A subset of AI that uses deep-learning techniques (including large language models and diffusion models) to produce content such as text, code, images, summaries.

Agentic AI: An emerging application of generative AI where systems plan multi step tasks, use tools/APIs, and take bounded actions toward stated goals with limited oversight. Agentic systems go beyond response generation to orchestrate various workflows in autonomous or semi-autonomous fashion.

## AI Oversight and Risk Management

As AI utilization and implementation increases in the insurance industry, it is crucial for insurers to have proper governance and risk management in place to not only protect themselves but their policyholders as well.

In 2020, the NAIC introduced Principles on Artificial Intelligence as high-level guidance for insurers and regulators focusing on five key components: 1) fairness and ethical use; 2)

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accountability; 3) transparency; 4) compliance; and 5) secure, safe, and robust systems. Then in 2023, the NAIC released a model bulletin to further address AI utilization. The bulletin focuses on critical issues such as potential inaccuracies, unfair biases leading to discrimination, and data vulnerabilities. The bulletin also emphasizes the importance of responsible governance, risk management policies, and procedures to ensure fair and accurate outcomes for consumers. The bulletin stresses that insurers comply with applicable state and federal laws and regulations.

In AM Best's AI survey, 47% of respondents reported having a robust governance process related to AI, and the majority of respondents (63%) report that their company has a formal AI policy in place (**Exhibit 1**). In regard to regulatory developments, 42% of respondents state that regulatory developments around AI present a major concern, with another 40% remaining neutral on the subject.

## Driving Transformation with AI

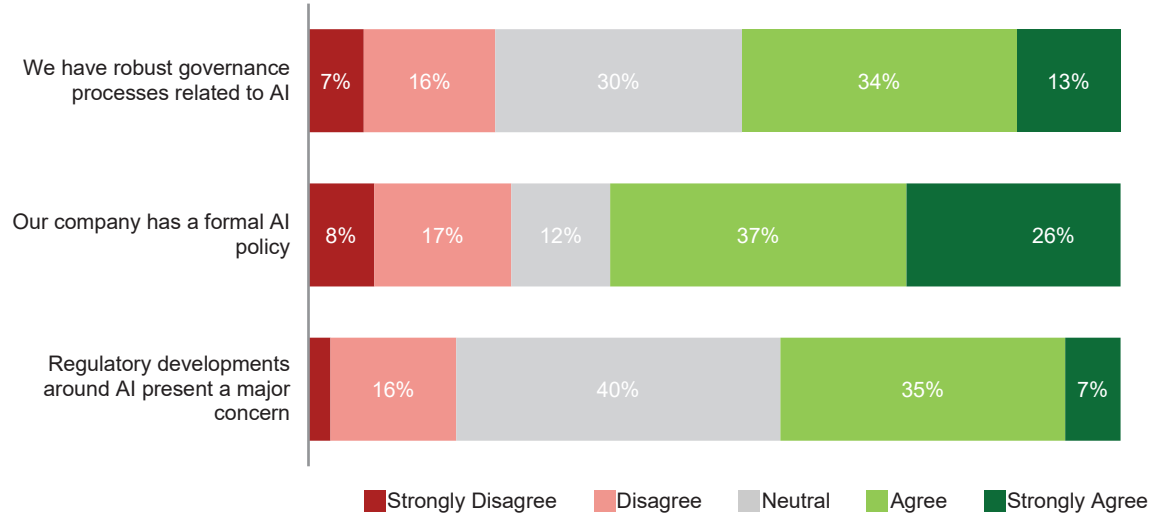
Nearly 60% of respondents expect AI to significantly transform their business models within the next one to three years (**Exhibit 2**). This prospective confidence suggests that insurers recognize AI's strategic importance even though many are working towards challenges of execution, integration, and scaling. AI-driven change is already underway in selected functions, even if enterprise-wide transformation remains uneven.

Some insurers are rapidly deploying AI, as evidenced by 41% of survey respondents who stated their organization is actively using AI across core business areas; however, 36% disagree and point to an uneven adoption across the industry. But nearly 20% agreed or strongly agreed that their organization is at an advanced stage of implementation. A majority of insurers believe their AI is not at an advanced implementation stage, which is consistent with our view that there is a split among early adopters and insurers that are technologically challenged.

The three biggest challenges insurers face are data readiness (45%), security and privacy (43%), and legacy system integration (41%). Respondents are less concerned with change resistance (16%) and third-party model risk (18%) (**Exhibit 3**). AI systems are heavily dependent on high-quality, clean, and well-structured data. Legacy systems can create significant barriers when implementing AI because

Exhibit 1

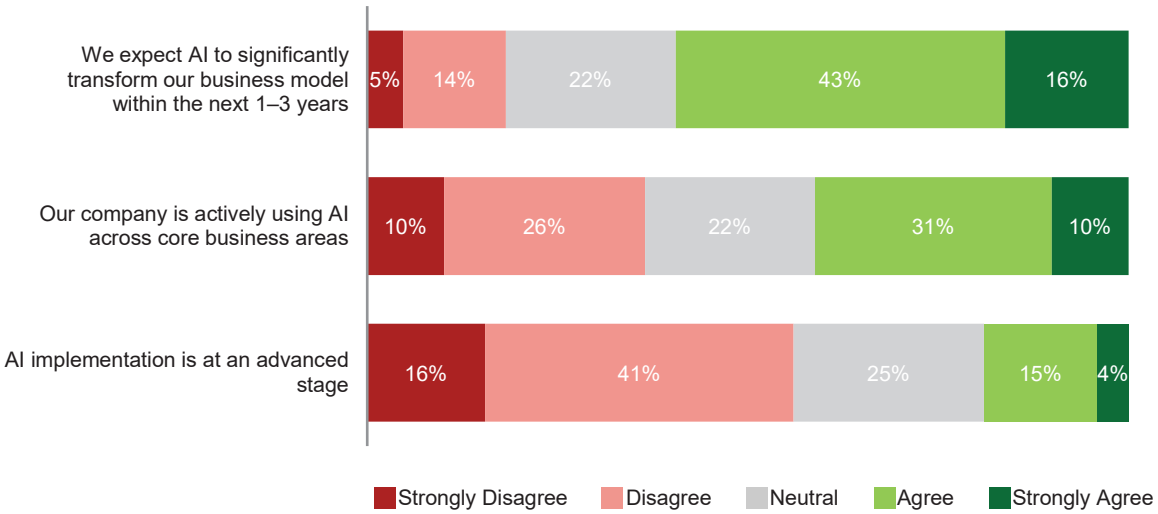
**Rank each statement with respect to your organization's current level of governance with respect to AI implementation:**




Source: AM Best data and research

Exhibit 2

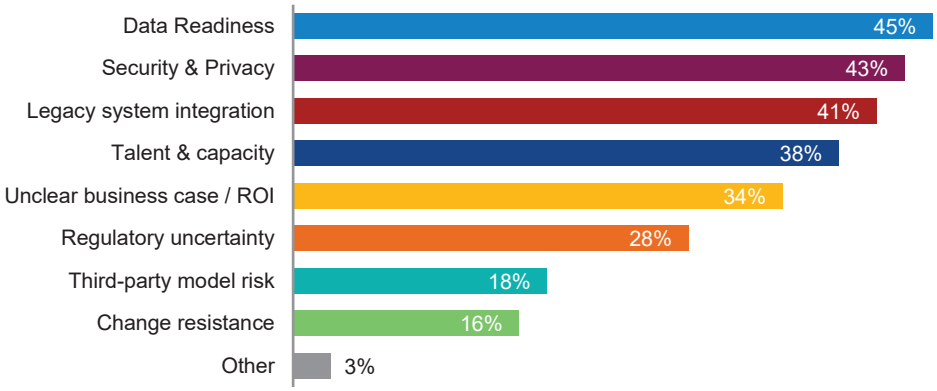
**Stage of Implementation – rate each statement:**




Source: AM Best data and research.

Exhibit 3

**What are your organization's biggest challenges faced with the implementation of AI?**




Source: AM Best data and research.

they simply were not built for this type of data integration. Many of these legacy systems are outdated and store data in inconsistent formats lacking standardization. AI systems can produce unreliable outputs when underlying data is of poor quality, fragmented across legacy systems, insufficiently governed, or lacking appropriate context. This is especially important in insurance, where AI tools often draw on large volumes of both structured data and unstructured content such as submissions, claims narratives, policy documents, and correspondence. Insurers who have invested in modernizing their legacy systems, cleaning up their data, and having robust data governance will find it easier to integrate AI into their workflow.

Insurers with large technical debt caused by short-term patchworks may find the future cost of making their systems robust and accommodative to AI high. This can be intended (to meet a deadline) or unintended (poor planning, bugs being introduced because of lack of quality control) and may find it harder to solve these issues by integrating AI. There are also concerns surrounding security and privacy, especially when it comes to consumer and policyholder protection. Although AI can be

used as a tool to guard against cyber risks, this advanced technology is also subject to cyber threats. Bad actors can exploit and target AI systems to cause financial or reputational harm to companies and consumers. A breach of an AI system can expose sensitive or confidential data. Hackers are able to infect AI systems with poisoned data, resulting in corrupt or false outputs.

With regard to operations, respondents' current top operational goals in implementing AI are to improve employee productivity (68%), lower operating costs (47%), and assist with underwriting capabilities for risk selection and pricing (37%) (**Exhibit 4**).

Generative AI is a subset of AI that uses deep-learning techniques to produce content such as text, code, images, and summaries. Back and middle office departments are tasked with analyzing numerous documents associated with claims, applications, among other customer inquiries, which usually require an immense amount of time and sharp focus. Generative AI works to assist these departments by automating these tasks to deliver high-quality summaries while highlighting certain areas of risk. Generative AI can also generate broker/client responses and risk narratives. As a result, insurance companies are streamlining operations and achieving faster turnaround times, producing meaningful gains in productivity and efficiency. Investments are being poured into AI, providing advanced capabilities to many insurers.

The majority of respondents (66%) seek to increase their AI investment in the next 12-24 months. By investing more in AI, insurers can better manage risk, enhance customer experience, and remain competitive against peers in a rapidly evolving market (**Exhibit 5**).

## Leveraging AI for Core Insurance Operations

Companies typically implement AI in three phases: exploration, pilot, and live use. IT/developer productivity is a core business function where nearly 40% of survey respondents report live use (**Exhibit 6**). IT developers are able to use AI for code generation, testing automation, and debugging programs. AI tools have enabled insurers to automate many administrative/operational tasks such

Exhibit 4

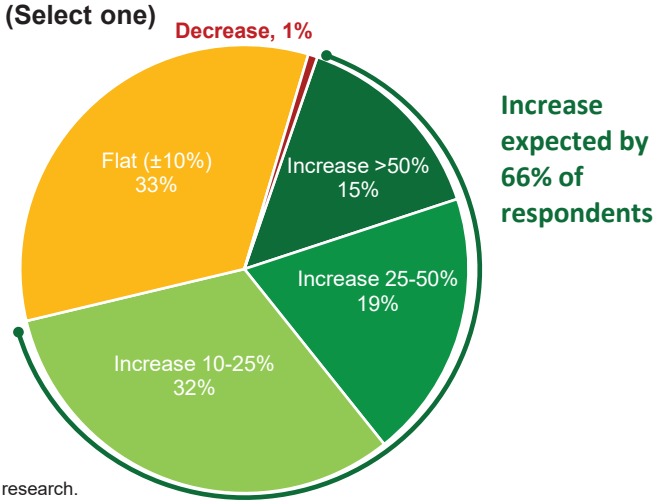
**Select up to three of the top operational goals for improvement by implementing AI solutions in the next 12 to 24 months:**




Source: AM Best data and research.

Exhibit 5

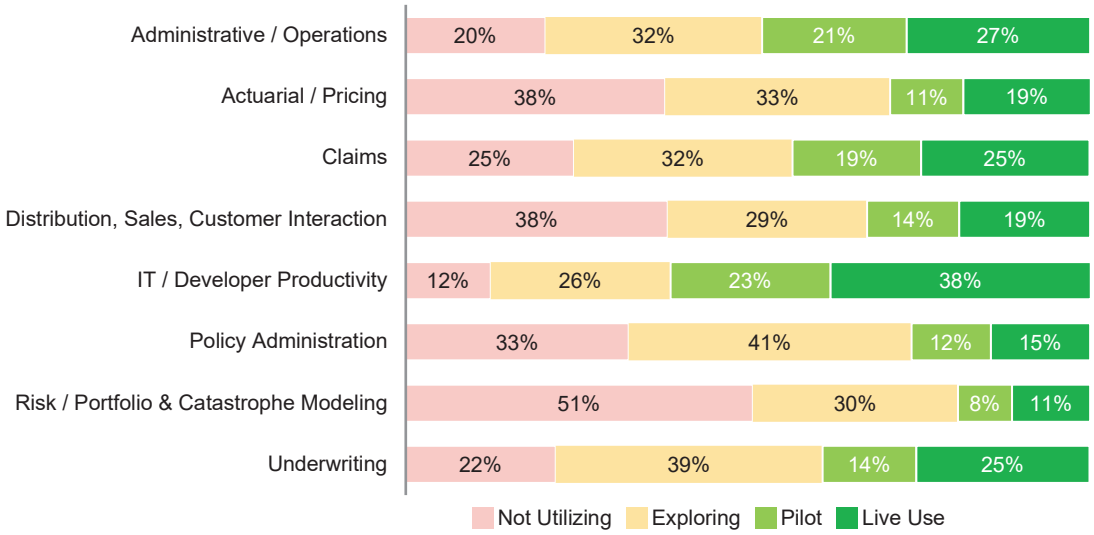
**How much do you expect to increase your AI investment by in the next 12 to 24 months? (Select one)**




Source: AM Best data and research.

Exhibit 6

**Select all functional areas that are currently utilizing AI and select the extent of AI implementation for each respective functional area:**




Source: AM Best data and research.

as data entry and document processing. Agentic AI may enhance underwriting by analyzing large data sets and segmenting risks into various categories; those considered low risk could be automated, while higher risk categories could be triaged for further review by experienced underwriters, who can then pivot their attention and expertise to assess more complex cases. Advanced use cases may include processes such as multi-agent onboarding and compliance reviews. Agentic AI could also be used at some level as "digital workers" to execute insurance workflows. Looking ahead, more agentic AI systems may support underwriting through multistep workflow automation, including analyzing data, segmenting risks, automating lower-complexity cases, and routing more complex submissions to experienced underwriters for further review. Claims departments utilize AI for document review and fraud detection, as well as damage assessments.

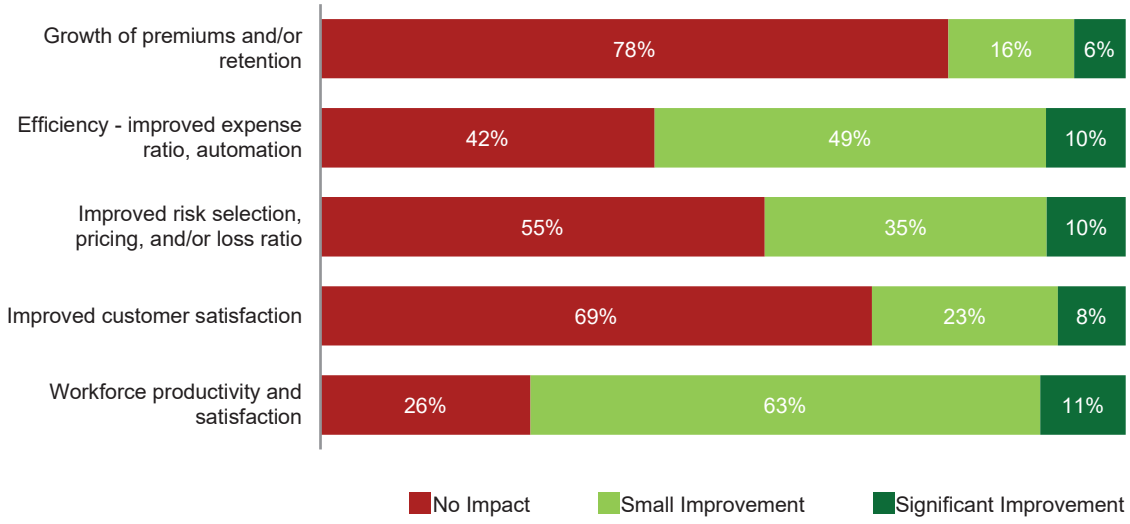
### Results and Value

A return on investment (ROI) can be difficult to measure at this stage since this technology is still relatively new and the cost benefits will likely take years to materialize. Only 13% of insurers had confidence in measuring ROI from AI investments—as AI is relatively new and its utility is evolving, this is not a surprising result (please refer to **Appendix, Question 11**). Improvement in workforce productivity and satisfaction has seen the biggest impact, with 63% of respondents reporting a small improvement in addition to 11% reporting a significant improvement (**Exhibit 7**).

There has also been a prominent improvement in efficiency regarding improved expense ratio and automation, as 49% of respondents noted a small improvement and 10% noted a significant

Exhibit 7

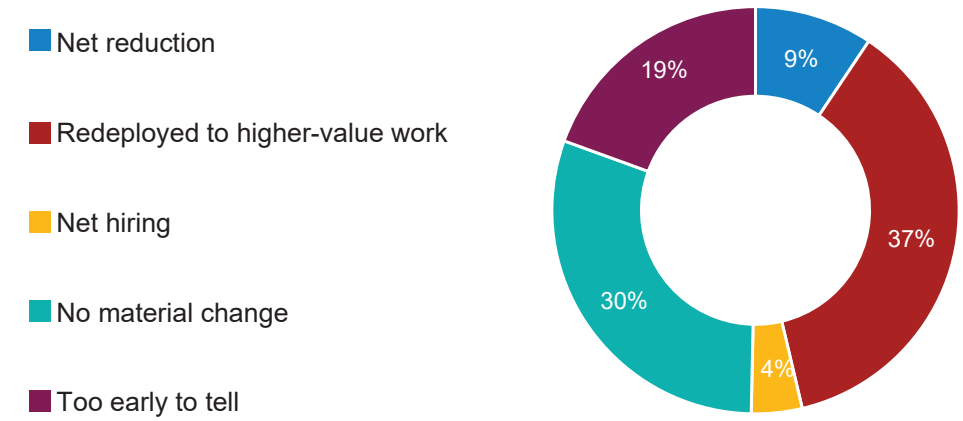
**In the last 12 months, to what extent has your organization experienced improvements in the following areas due to the implementation of AI solutions?**




Source: AM Best data and research.

Exhibit 8

**What is the anticipated net effect on overall staffing in the next 12 to 24 months? (Select one)**




Source: AM Best data and research.

improvement. Seventy-eight percent of the respondents mentioned that AI has had no impact on growth.

### AI's Impact on Employees

AI is being deployed in insurers' back, middle, and front offices, leaving the current workforce worried about job security. While there are some major headlines floating around asserting AI is a threat to white-collar jobs and these roles could be obsolete in the coming decade, it is important to bear in mind that the human element is still a crucial component in most insurance roles. According to recent earnings calls, many industry leaders view AI as a way to reshape and assist the current workforce, not eliminate it. Survey participants echo that sentiment, with 37% saying staff will be redeployed to higher-value work and 30% saying there will not be any material change to staffing (**Exhibit 8**).

Insurance roles, especially, require judgment, critical thinking, and accountability that AI simply cannot fully replicate (**Appendix**).

## Appendix
Additional Survey Results

**1) Select the type of company that best describes your product mix? (Select one)**

| | |
|---|---|
| Property & Casualty | 55% |
| Life/Annuity | 15% |
| Health | 3% |
| Multiline | 9% |
| Reinsurance | 11% |
| DUAE/MGA | 1% |
| Other | 6% |

**2) Select the primary region of organization's operations. (Select all that apply):**

| | |
|---|---|
| North America | 77% |
| Europe | 10% |
| Asia-Pacific | 14% |
| Latin America and Caribbean | 7% |
| Middle East / Sub-Saharan Africa | 7% |
| Other | 5% |

**3) Carriers only – select the approximate capital / surplus size ($ in USD choose the closest range):**

| | |
|---|---|
| +$10b | 8% |
| $5.1b - $10b | 4% |
| $1.1b - $5b | 16% |
| $501m - $1b | 14% |
| $101m - $500m | 34% |
| $51 - $100m | 7% |
| less than $50m | 17% |

**4) Tools, Data & Technology – rate each statement:**

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| We use a diverse set of AI Technologies | 10% | 23% | 31% | 26% | 10% |
| Our AI strategy relies primarily on in house model development | 19% | 32% | 22% | 25% | 2% |
| Data quality and integration with legacy systems are significant barriers | 5% | 18% | 29% | 37% | 10% |

**5) What is the biggest risk in implementing AI? (Select one)**

| | |
|---|---|
| Operational risk | 41% |
| Data privacy | 22% |
| Regulatory risk | 15% |
| Culture | 12% |
| Intellectual Property | 5% |
| Ethical / Reputational concerns | 3% |
| Other | 3% |

**6) Select one description that best describes your organization's approach toward implementing AI solutions:**

| | |
|---|---|
| To be first movers and industry innovators in the AI space | 20% |
| To cautiously keep pace with industry | 53% |
| To be successful followers learning from other companies and absolutely sure about AI risks | 27% |

**7) How do you perceive AI's importance to your competitive position? (Select one):**

| | |
|---|---|
| Critical differentiator | 13% |
| Important capability | 48% |
| Useful tool | 31% |
| Minimal value | 5% |
| Uncertain value | 3% |

**8) Has AI already created a competitive advantage for your organization? (Select one)**

| | |
|---|---|
| Significant advantage already realized | 9% |
| Some advantage emerging | 27% |
| Too early to tell | 37% |
| No advantage yet | 28% |

Source: AM Best data and research

**Appendix (Cont.)**
Additional Survey Results

**9) For currently implemented and planned AI solutions, select which has been the typical source of AI development? (Select all that apply)**

| | |
|---|---|
| Internal solutions developed | 52% |
| Third-party solutions | 68% |
| Solutions implemented via M&A | 1% |
| Solutions jointly developed/implemented by carrier and MGA/MGUs/ITCs | 7% |

**10) What forms of AI are you currently utilizing or planning to utilize? (Select all that apply)**

| | |
|---|---|
| Machine Learning | 68% |
| Generative AI | 71% |
| Agentic AI | 43% |
| Other | 1% |

**11) What is your confidence in your organization's ability to accurately develop an AI ROI measurement? (Select one)**

| | |
|---|---|
| Very confident | 13% |
| Somewhat confident | 48% |
| Low confidence | 21% |
| Not measuring ROI systematically | 18% |

**12) Select up to three top operational goals for improvement by implementing AI solutions in the next 12 to 24 months:**

| | |
|---|---|
| Clear business case and success metrics | 66% |
| Clear executive sponsorship & governance | 39% |
| Starting with focused, high-value use cases | 30% |
| Business and IT working closely together | 30% |
| Right talent and vendor/partner mix | 26% |
| Redesigning processes | 23% |
| High-quality data | 24% |
| Defined AI budget & business resources | 22% |
| Modern, scalable technology platforms | 20% |

**13) People & Organizational Impact – rate each statement:**

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| AI adoption has led to significant changes in workforce roles | 11% | 39% | 37% | 10% | 3% |
| Our employees possess sufficient AI-related skills and training | 10% | 46% | 33% | 10% | 1% |
| Senior leadership is actively engaged in shaping and overseeing our AI strategy | 3% | 9% | 27% | 44% | 17% |

Source: AM Best data and research

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