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Reimagining insurance distribution

Point of view: When algorithms become advisors

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KEY MESSAGES

- Insurance distribution is at the inflection point of profound change. While agents and brokers remain the backbone of the industry, the rapid advance of generative and agentic artificial intelligence, shifting customer expectations and evolving regulatory frameworks are converging to disrupt established models.
- The future of personal insurance distribution is likely to evolve along three co-existing models: Empowered agents supported by GenAI, a hybrid model where humans and machines share roles, and a fully automated future where agentic AI handles distribution almost entirely.
- Each of these models presents both opportunities and risks. Insurers must make their choices now by rethinking their distribution models, investing in technology and talent, and preparing for a market where the rules are being rewritten.
- However, current AI agents are not yet capable of fully autonomous, mathematically rigorous, or contextually aware advisory, especially for multi-stage interactions and tasks but technological progress is rapidly evolving with agentic AI as the next disruptive step.
- Those who move early, thoughtfully integrate AI in their strategic agenda and invest in building the necessary AI capabilities will strengthen their relevance and competitive advantage in a market that faces fierce competition.
- Senior executives in insurance organizations should start preparing for an AI driven future by (1) forming a clear strategic perspective on (agentic) AI and its role in the organization, and more mid-term (2) upskilling the salesforce accordingly to collaborate effectively with AI agents, and (3) systematically exploring and piloting AI-driven initiatives to evolve distribution models and capture future growth.

“AI and agentic AI have the potential to redefine the very core of insurance distribution. Not through incremental efficiencies, but by fundamentally reshaping how offerings are matched to client needs, how revenue is generated, and who truly owns the client relationship. AI is a C-level topic that touches the industry’s most important asset: access to clients.”

Stephan Erni | Partner – Strategy & Transformation
Head Strategy& Switzerland

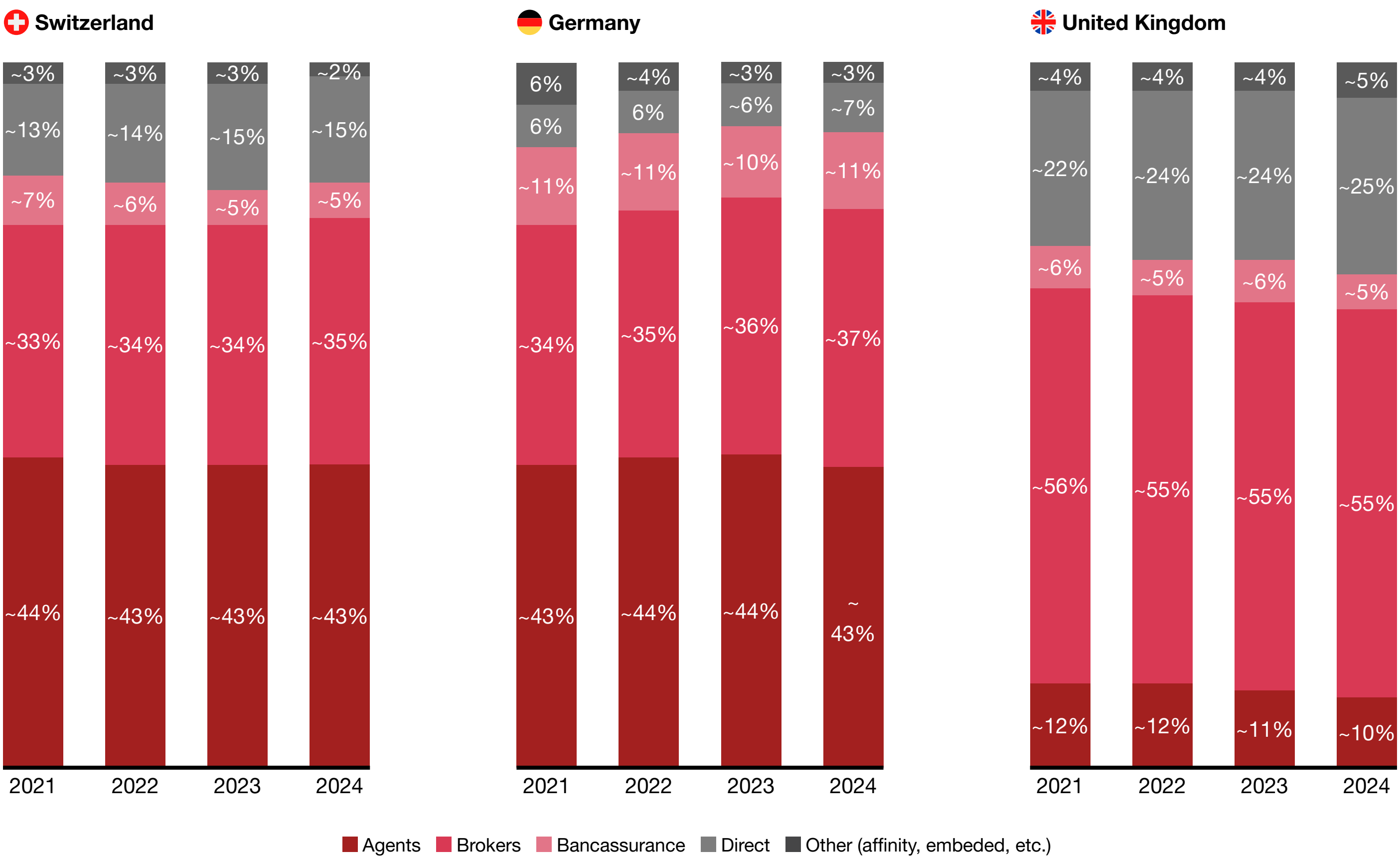
POINT OF DEPARTURE: HUMAN RELATIONSHIPS STILL KEY PILLAR FOR NEW BUSINESS

Despite years of digital innovation, insurance distribution in Switzerland remains anchored in human relationships. Tied agents and brokers continue to represent the dominant share of new business (around ~80%), particularly in life and pension-related segments where long-term financial planning and trust-based advisory play a central role. Digital and direct channels are expanding, mainly in simple P&C products, while bancassurance and emerging embedded or affinity-based models remain comparatively small in volume and early in maturity.

As a point of context, Germany shows a similar intermediary-led structure, with a somewhat stronger role for bancassurance in life products. The UK, by contrast, has seen a more pronounced shift toward platform- and comparison-driven personal lines, while commercial insurance remains largely broker-led – a model that could become more relevant as revenue of (Gen)AI in distribution increases.

EXHIBIT 1

Distribution channel development by country and year



Insurance is a complex, trust-based product. Customers often need reassurance and expert guidance, especially regarding significant financial commitments or complex risk scenarios. Human intermediaries have historically provided this trust and expertise, acting as the bridge between insurers and customers.

AI is present in today's distribution landscape, but its use is still limited and tactical. Most insurers use AI for specific tasks such as scoring leads, personalizing marketing messages or powering basic chatbots. These tools help improve efficiency and customer engagement, but they do not fundamentally change how insurance is distributed or experienced. For most insurers, AI remains a tool for specific functions, not a core part of distribution strategy.

This reliance on traditional models is not without its challenges. Distribution costs remain high, with agent commissions and overheads accounting for a significant share of expenses. Customer expectations are rising, shaped by seamless digital experiences in other industries. And new entrants – both digital-first insurers and technology platforms – are beginning to challenge incumbents with more agile, data-driven approaches.

CASE FOR CHANGE: AGENTIC AI POISED TO RESHAPE INSURANCE DISTRIBUTION LANDSCAPE

Yet, the scale of the opportunity is significant. In Switzerland, GenAI-driven distribution has the potential to capture a substantial share of the insurance market in the coming years, contingent on ongoing premium growth as well as regulatory and customer adoption. In the most extreme evolution stage, GenAI-enabled new business flows could encompass the majority of tied-agency business as it exists today, fundamentally reshaping the distribution landscape and shifting market power across the industry.

> **"Technology and now GenAI in particular has become the central force that will reshape insurance distribution, redefining how value is created, delivered, and captured. GenAI enables insurers to automate routine tasks, enhance decision-making, and improve customer experiences, allowing them to deliver value more efficiently while identifying new revenue opportunities."**
>
> Jonas Heydasch | Senior Manager Strategy& Switzerland

Technology: The rise of AI and automation

Technology is advancing rapidly. Generative AI and large language models now make it possible for machines to engage customers in natural dialogue, answer questions, explain coverage and tailor offers in real time. Predictive analytics allow insurers to anticipate customer needs and proactively reach out with relevant solutions. Conversational AI is reducing reliance on call centers, reshaping cost structures and enabling 24/7 customer engagement.

However, current AI systems excel at discrete, well-defined tasks but struggle with complex, multi-step advisory processes. Error rates can compound quickly in multi-stage workflows, making human oversight essential for anything beyond simple transactions. Persistent, agentic models with robust memory and planning capabilities are still in development, but fast progress is making them increasingly competitive.

Customers: Rising expectations and new behaviors

Customer expectations are shifting. Customers increasingly demand frictionless, personalized experiences, shaped by their interactions with leading digital platforms. They want offers tailored to their life stage and circumstances, delivered at the right moment and on the right channel. They expect transparency and fairness, not ambiguous recommendations or unclear pricing. Proactive engagement – such as nudges from health apps or investment platforms – is becoming the norm, and customers will expect the same from their insurers.

At the same time, customers remain cautious when it comes to complex or high-stakes decisions. While they appreciate digital convenience for simple products, many still prefer human reassurance and expert advice for more significant financial commitments. This creates a dual challenge for insurers: delivering seamless digital and tailored experiences for simple needs while maintaining high-touch, personalized service for complex scenarios.

As current models are not able to fully meet these demands, the insurance market will need to transform to capture the full potential from tomorrow's clients. Millennials and Gen Z, soon joined by Gen Alpha, expect seamless, personalized and transparent digital experiences not as a differentiator but as the baseline. Their expectations raise the bar, forcing insurers to deliver at the standard set by leading digital platforms.

Regulation: New rules for a new era

Regulation is evolving to keep pace with technological change. Privacy rules such as the European Union's regulation on data protection and privacy (GDPR) already define strict boundaries for data use across the EU. Switzerland has introduced the revised Federal Act on Data Protection (FADP) in 2023, which is closely aligned with the GDPR in both spirit and regulatory requirements. Both examples show that emerging AI-specific regulations will demand transparency and accountability from insurers who use algorithms to shape customer journeys. Regulators are expected to scrutinize fairness to ensure that models do not inadvertently discriminate, while insisting that explanations are clear and understandable to customers. Systemic risk will become a concern as insurers increasingly rely on shared AI platforms.

With the anticipated regulatory shifts both challenges and opportunities emerge. Insurers must invest in robust governance frameworks to ensure compliance, fairness and explainability. Those who can demonstrate responsible AI use and transparent decision-making will be better positioned to build trust with customers and regulators alike.

At the end, regulators must – and increasingly do – support new models. Across Europe, we see momentum: the EU AI Act is setting common guardrails, the UK FCA is embedding outcomes-based supervision and FINMA in Switzerland is setting the regulatory framework for digital and AI-enabled advice. This signals that regulators are not blocking innovation but actively shaping the conditions for its responsible adoption. For insurers, engaging early in this dialogue is critical – those who can demonstrate compliance and transparency will not only secure regulatory approval but also gain the legitimacy needed to scale GenAI distribution at pace.

Barriers to change

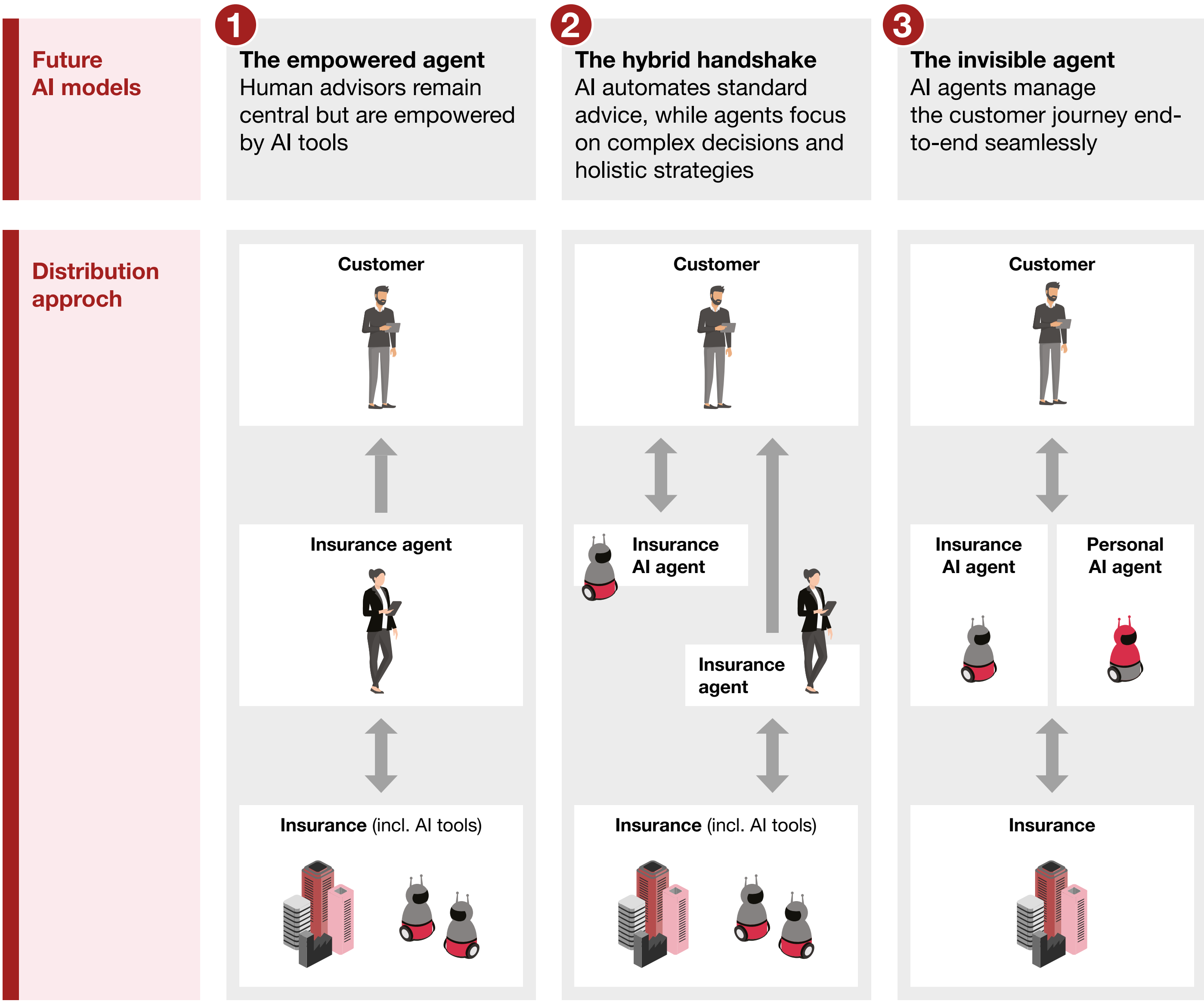
Despite the promise of technology, significant barriers remain. Data ecosystems are fragmented, with customer information scattered across insurers and intermediaries. Digital penetration is still modest for complex products, as customers prefer human reassurance for significant financial commitments. Within organizations, cultural resistance can be strong. Many agents fear cannibalization of their role, and insurers tread carefully to avoid channel conflicts. Regulators are cautious about approving AI-led advice without clear explainability and fairness.

POINT OF ARRIVAL: AI TO DRIVE THREE CO-EXISTING MODELS IN DISTRIBUTION

Looking ahead, GenAI and Agentic AI could reshape insurance distribution along three co-existing models (see Exhibit 2), each defined by a different balance of human involvement and automation. The trajectory will hinge on regulatory approval, customer adoption, and the speed of technological progress. While the precise outcome is uncertain, the likelihood of a shift is high – and leaders should make choices accordingly. The three development models are evolutionary in nature and will also in part coexist, with varying degrees of generative AI usage depending on the complexity and nature of the line of business. In the Swiss market specifically, the relevance and pace of these models is shaped by a structurally advisor-owned client relationship model, whereas Germany in contrast is more institution-anchored via bancassurance, and the UK has already shifted structurally toward platform- and comparison-based distribution in personal lines.

EXHIBIT 2

Future pathways for insurance distribution



Model 1: The empowered agent

In this model, human agents remain central but are supercharged by GenAI. GenAI tools help agents identify the right prospects, anticipate customer needs, and deliver personalized recommendations. The AI runs silently in the background, analyzing data from customer interactions, lifestyle information, and market trends, presenting the agent with actionable insights. Conversations that once relied solely on human memory and intuition are now informed by a virtual assistant.

Agent productivity improves significantly. Agents spend less time searching for leads and more time engaging with customers who are genuinely ready to buy. They can tailor conversations with an unprecedented level of personalization, offering life insurance to a young family just after they purchase a home, or suggesting cyber protection to a small business after they expand online. GenAI does not replace the human touch; it amplifies it. The agent's value shifts from selling policies to guiding customers through complex decisions, supported by real-time analytics.

Leading insurers across markets are already moving in this direction. In China, Ping An demonstrates how a highly digitized, ecosystem-driven market enables rapid GenAI adoption at scale. Its advanced AI assistant supports hundreds of thousands of agents with client insights, next-best-action guidance and intelligent coaching, boosting productivity while preserving human advisory. In Europe, Allianz has deployed its "Enterprise Knowledge Assistant" across call centers and sales teams, providing instant answers on products, terms, and customer data, thus reducing handling times and freeing agents for higher-value conversations. These examples illustrate how incumbents can materially lift agent productivity while preserving the high-trust relationship at the core of distribution – enabled by integrated data and scalable infrastructure.

This model balances continuity with change. It preserves the high-trust human relationship at the center of insurance while significantly raising efficiency. But it also raises questions. How do insurers ensure that advice generated by AI remains unbiased and compliant? How do they retrain agents whose roles evolve from salespeople to advisors? How do they manage customer trust when decisions are increasingly shaped by algorithms rather than human intuition?

Model 2: The hybrid handshake

The second model includes a profound transformation of the insurance agent's role, driven by the rapid maturation of generative AI and agentic solutions. Traditional advisory and distribution models, once centered on standardized needs assessments and product recommendation, are increasingly automated. GenAI systems deliver real-time, hyper-personalized advice for simple products such as motor, travel, or term life insurance, directly at the point of need and at near-zero marginal cost. These solutions handle the standardized, compliance-heavy tasks that previously absorbed much of the agent's time, with accuracy and efficiency levels surpassing human benchmarks.

As a result, the insurance agent's value proposition shifts decisively away from transactional intermediation. Agents are no longer product distributors but orchestrators of complex, high-value decisions. Their focus moves into new value streams, such as advising on holistic financial protection strategies and integrating insurance into broader wealth, health, and retirement planning. For example, while AI might automatically configure a customer's mobility coverage in an embedded platform, the agent becomes indispensable when the same customer faces multi-generational estate planning, integrating life, health, and investment products into a resilient financial architecture.

The advisory role also requires closer connection to traditional operations domains to evolve toward managing complexity in moments of truth – catastrophic claims, cross-border mobility, or multi-entity risk exposures for SMEs and entrepreneurs. Here, human empathy, trust, and contextual judgment remain irreplaceable differentiators. GenAI augments rather than replaces the agent, providing deep analytics, scenario modeling, and predictive insights that empower agents to deliver value-added, consultative advice.

This shift creates new value propositions for both agents and insurers. Agents reposition as trusted advisors commanding higher relevance in fewer but more complex interactions. Insurers, in turn, benefit from deeper customer engagement at moments of high lifetime value. However, this reconfiguration requires rethinking economics. Compensation models must reward complex advisory services rather than product distribution, training must pivot from product knowledge to strategic financial coaching, and data-sharing partnerships with platforms must ensure agents remain embedded in the digital ecosystems where customers reside.

Strategically, the challenge for insurers lies in managing a dual transformation. On one side, they must invest heavily in GenAI capabilities that industrialize standardized advice and integrate seamlessly into platforms. On the other side, they must redefine the human agent's role to safeguard differentiation where trust, empathy, and complexity converge. The winners in this future will not be those who cling to legacy distribution but those who embrace the bifurcation: AI for scale, humans for complexity.

Model 3: The invisible agent

The third model is the most transformative: for standardized retail insurance products such as travel, home or motor insurance, distribution is no longer a customer-facing activity, but a background process managed by agentic AI. Private individuals delegate most transactional decisions to their personal AI agents, which negotiate and execute in real time with the AI agents of insurers. Insurance, especially commoditized P&C products such as travel or car rental coverage, has become an integrated by-product of these interactions rather than a standalone purchase.

The customer experience is frictionless and largely invisible. A traveler booking a flight simply instructs their personal AI to "optimize protection for this trip." The personal agent instantly requests quotes from multiple insurers' agents, evaluates coverage terms against the individual's profile and risk tolerance, and executes the purchase – binding a policy in milliseconds, without the customer ever reviewing documents or speaking to a human.

The model redefines distribution along three dimensions: automated orchestration, dynamic adjustment, and embedded protection. The human role is reduced to edge cases, complex risks, disputes, or regulatory exceptions. For insurers, distribution is no longer about customer acquisition but about maintaining agentic artificial intelligence "distribution pipes" and ensuring their agent platforms remain competitive on coverage, pricing, and trustworthiness.

However, this model also introduces critical risks that insurers must address. Regulators will increasingly demand transparency and fairness, requiring explainability of AI-to-AI negotiations, particularly in areas such as claims adjudication and dynamic pricing. At the same time, the invisibility and commoditization of insurance risk detaching customers from brands, eroding differentiation and reducing loyalty to mere price-driven selection. Systemic exposure becomes a material threat: failures in the underlying agentic AI infrastructure could propagate instantly across millions of policies, amplifying both operational and reputational risks at scale.

In the future, insurance may shift from a consumer decision to a machine-to-machine transaction layer. Distribution is automated, predictive, and embedded, fundamentally reshaping the role of insurers from sellers of products to providers of agentic AI-driven protection infrastructure.

GENERATIVE AND AGENTIC AI TO REDEFINE ROLES, COSTS, AND VALUE CREATION

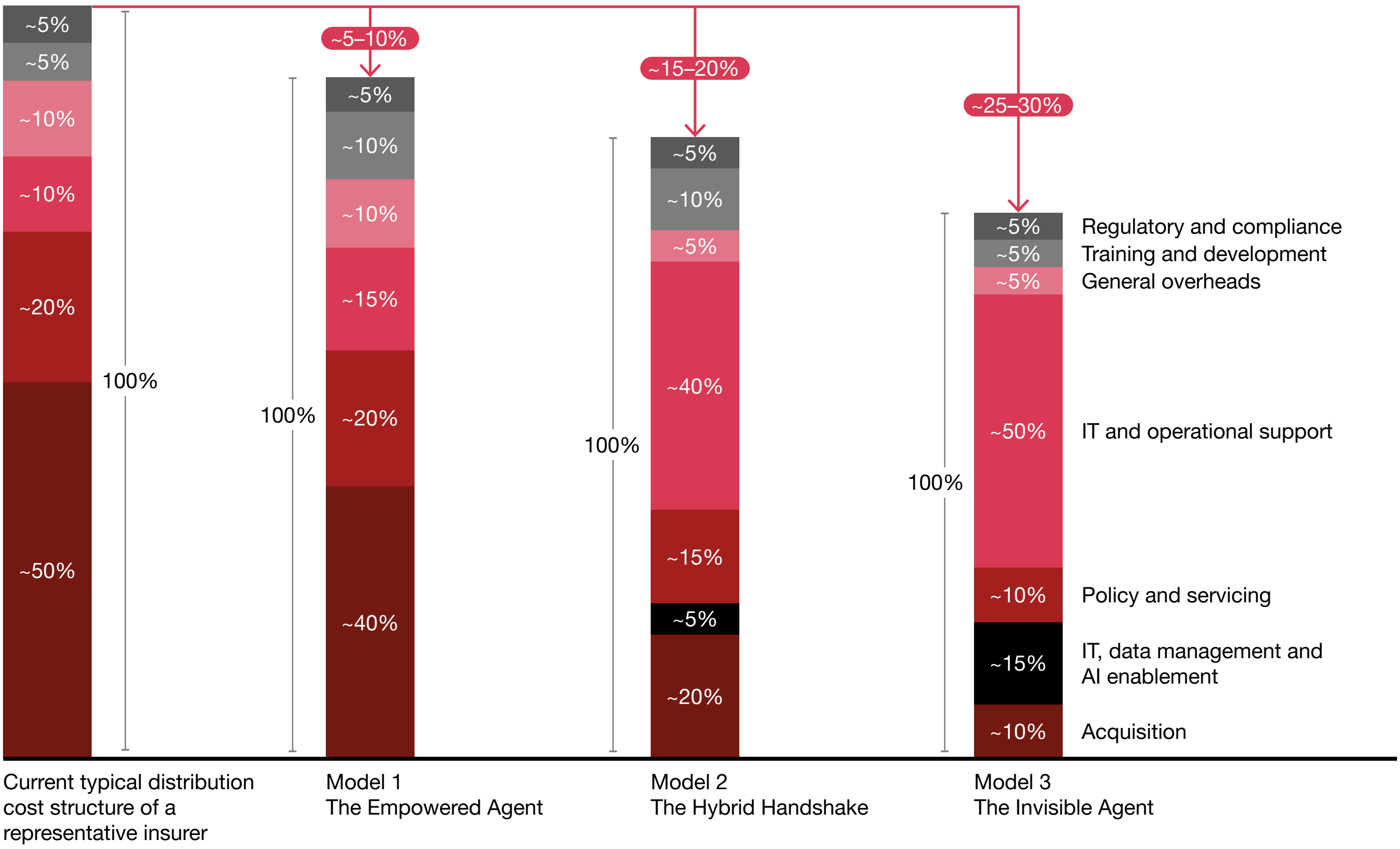
While not yet clear how, when, and to what extent, agentic AI-driven distribution will reshape the insurance value chain. Customers will get more personalized, instant service, but may miss human reassurance in difficult moments. Agents' roles will change significantly, shifting from sales to advice or disappearing in fully automated models. Insurers will need to move from selling products to orchestrating customer journeys, integrating data and AI-enabled automation at every step. Regulators will have to rethink rules for fairness, solvency, and systemic risk.

Today, a typical Swiss P&C insurer operates with a 25–30% expense ratio and a 60–70% loss ratio, leaving only ~5% margin. With broader GenAI adoption, market experts expect expense ratios to improve by 3–6 percentage points, primarily from lower acquisition costs (agent commissions) and reduced administrative overhead. Loss ratios could improve modestly through AI-enabled claims handling and fraud detection, driving a 1–2 percentage point uplift. Overall, this translates into margin expansion to 8–10%, complemented by a 1–2% topline increase from hyper-personalized customer approaches.

Looking specifically at distribution, distribution executives anticipate generative and at a certain stage also agentic artificial intelligence to structurally reshape the distribution cost base. Traditional cost drivers such as agent commissions (about 50% today) could significantly fall in a fully automated "Invisible Agent" model, while overhead costs decline from 10% to 5%. At the same time, new categories emerge: IT, data management, and agentic AI enablement are expected to rise to 15–25% of the base. Importantly, this marks a fundamental shift from variable costs to long tied to incoming business volume toward fixed costs such as cloud infrastructure and AI maintenance. Scale will therefore become a critical determinant of competitiveness. In the different models, this results in an overall cost base reduction of 5–10% for "empowered agent model", in "hybrid handshake model" 15–20%, and in "the invisible agent model" up to 25–30%. The balance of spending shifts away from human intermediaries towards machine-driven support and platform integration, fundamentally altering industry economics and value capture.

EXHIBIT 3

AI impact on distribution cost structure of illustrative P&C insurer



Source: Strategy& analysi

For insurers, the shift demands a transformation from product-centric organizations to orchestrators of customer journeys. Their success will depend on the ability to integrate data across touchpoints, manage ecosystems, and embed AI into every aspect of distribution. Regulators, meanwhile, will need to rethink guardrails to address fairness, solvency, and systemic risk in an environment where algorithms, not humans, increasingly drive customer engagement.

INSURERS MUST BALANCE STRATEGIC CHOICES BETWEEN TRUST, SCALE, AND AUTOMATION

In light of these co-existing future models, insurers face critical strategic choices. Should they double down on agent networks, investing in AI tools to enhance productivity and preserve human trust? Should they pivot toward platforms, embedding their products into ecosystems where scale can be achieved, but brand visibility is diluted? Or should they lead in automation, building fully autonomous agentic AI channels that could redefine cost structures and customer intimacy?

Regardless of the prevailing model, insurers will need to build a set of critical capabilities to remain competitive. Data infrastructure is foundational – without high-quality data, AI cannot deliver its promise. Governance frameworks must ensure that AI is explainable, fair, and compliant. The right ecosystem partners need to be identified, and mutually beneficial agreements established, particularly as platform-driven models gain traction. Finally, the workforce must be reskilled, as roles shift from transactional selling to advisory, ecosystem management, or digital design. These are not incremental changes, they require bold, strategic action.

In the next 12 – 24 months, insurers should focus on doubling-down agent productivity with AI tools for lead prioritization, customer communication, and workflow automation. Agents need to be retrained to increasingly use AI insights and shift from transactional selling to personalized advice. Governance must ensure AI recommendations are compliant and fair.

> **"Agentic AI will not sit on the periphery of insurance but it belongs squarely on the C-level agenda. Its implications span growth, customer intimacy, cost economics, and risk management, demanding that CEOs and their teams treat it not as a technology play, but as a strategic lever to redefine the future of the business"**
>
> Christian Lippke | Director Strategy& Switzerland

As AI absorbs simple product sales in the mid-term, insurers must pivot agents from selling to advising. The winners will redesign compensation to reward complex advisory, retrain agents as financial coaches, and embed them in digital ecosystems where customers decide. Early movers will capture trust and loyalty in the moments where human judgment still remains critical.

While in the long-run distribution is likely predominantly automated, competitiveness will be shifting to the quality of insurers' AI agents, how seamlessly they transact, price, and integrate with platforms. Insurers must position as trusted providers of resilient, explainable AI infrastructure. Those who build strong ecosystems and trusted algorithms will own the digital pipes of tomorrow; laggards risk becoming undifferentiated capacity providers.

SENIOR EXECUTIVES MUST EMBRACE AI'S STRATEGIC, TALENT, AND ECONOMIC IMPLICATIONS

AI and agentic AI are set to substantially transform insurance distribution, redefining how value is created, delivered, and experienced across the customer journey. The pace of change means insurers can no longer afford to wait. Leaders must put AI at the center of their strategic agenda to stay competitive. Acting now is critical: first, form a clear distribution-specific AI strategy and governance model; second, establish the necessary data, talent, and technology to enable scalable AI adoption; and third, reimagine distribution models to combine human trust with intelligent automation. Those who move early will set the standards for the next generation of customer engagement and growth in insurance.

EXHIBIT 4
Executive priorities for the AI-driven future

1 Form a view on agentic AI and anchor it on the strategic agenda

Explore how (agentic) AI can support and enhance your distribution play. Assess potential, high-value applications – for example in sales recommendations, customer engagement, or risk assessment – and develop a clear roadmap for execution. Ensure that the necessary data infrastructure and governance frameworks are in place to deliver measurable business outcomes.

2 Prepare and enable your workforce

After establishing the strategic basis, mobilize agents and sales teams as core group in gradually expanding their roles toward AI-supported advisory and ecosystem management roles. Strengthen digital and AI literacy, data-informed decision-making, and partnerships to enhance technological capabilities. Ensure your talent base can collaborate effectively with AI agents, driving efficiency, higher customer value, and future ready skills.

3 Experiment and scale the right use cases

Systematically explore and pilot AI initiatives to assess their potential for enhancing the distribution model. Select successful AI pilots to go deep and ensure distribution-wide scaling and adoption. Gradually redirect structures toward AI enablement and platform integration

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