# Insurance companies in Australia and New Zealand embrace AI for digital transformation



In a significant shift towards digitalization, insurance companies in Australia and New Zealand are increasingly adopting artificial intelligence (AI) and various digital solutions to effectively navigate a myriad of challenges, including economic fluctuations, climate change, and evolving customer service demands. According to a recent report by Information Services Group (ISG), these advancements are not merely beneficial but are becoming essential for insurers aiming to enhance efficiency and maintain competitiveness in a rapidly changing market.

The 2024 ISG Provider Lens™ Insurance Services report elucidates how insurers in the region are leveraging emerging AI technologies such as automated claims processing, predictive analytics, and generative AI. These technologies are integral to the modernization of operations within the industry. Insurers are also employing these advanced techniques to comply with newly evolving regulations, marking a proactive approach to the complexities currently facing the insurance landscape.

Insurers are responding to pressures from inflation rates, extreme weather phenomena, and shifting consumer preferences that challenge traditional business models. The focus on modernization includes utilising AI to facilitate automated claims processing and using predictive analytics for improved risk management and customer engagement. As noted in the report, the potential of AI can be significantly unlocked through the effective application of granular data, which is becoming increasingly vital for success in the insurance sector.

“The need to innovate is critical for insurers in Australia and New Zealand, especially with competition from insurtech startups,” remarked Michael Gale, partner and head of ISG Asia Pacific, speaking to Insights Success. He further highlighted that service providers are crucial in these transformations, aiding insurers in advancing their technological capabilities.

Within the report, a clear distinction is made between different types of insurers' operations. For instance, property and casualty (P&C) insurers are increasingly leaning on data analytics to bolster risk assessments and heighten the personalisation of customer experiences. Concurrently, life and retirement (L&R) insurers are turning to business process outsourcing (BPO) providers to better adapt to the evolving demands of policyholders.

While traditional IT outsourcing continues to constitute a substantial portion of insurers' challenges, many insurers are exploring various strategies, including nearshoring and offshoring, to effectively manage resource constraints. The adoption of Agile methodologies alongside cloud-based platforms is also on the rise, as insurers aim to modernise their IT infrastructures.

Jan Erik Aase, partner and global leader of ISG Provider Lens Research, emphasised the pivotal role of technology in the sector's transformation. “Digital transformation will require substantial investments in cloud, data management, and security, with ITO service providers becoming critical partners for insurers in this journey,” he stated.

Moreover, the report addresses potential challenges surrounding intellectual property rights linked to AI adoption, as well as the pressing need for robust measures to safeguard data from leakage associated with AI models.

ISG’s assessment covered 40 service providers across various quadrants, underscoring the competitive landscape involving technological partnerships that insurers will rely on as they progress into an increasingly digitised future.

Source: [Noah Wire Services](https://www.noahwire.com)

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