WHITEPAPER

xceedance | MGAA

AI in Action: Transforming Insurance Operations

An examination of how AI will continue to impact industry trends and business operations.

Executive Summary

The insurance sector is facing mounting pressures: cost inflation, regulatory complexity, legacy technology, and talent shortages. Against this backdrop there remains the protection gap, estimated at £1.4 trillion.[1] A recent survey has reported that a significant majority of insurance leaders believe the industry has an ethical obligation to bring down the gap.[2]

Platform digitisation was meant to close the gap and make insurance affordable and available for all. However, the forty-year digital transformation experiment has not yielded the results our market requires. Closing this productivity, cost and talent gap requires a fresh approach: one which could be offered by Generative AI.

This whitepaper examines a range of industry operations and seeks to highlight where and how AI can offer practical solutions. Further, it highlights a range of market trends that insurance businesses must consider as they look to embrace AI, including:

Compliance requirements are intensifying, with the EU AI Act and DORA imposing strict requirements on data quality, transparency, and operational resilience. AI is both regulated and a tool for compliance. It can serve to automate monitoring, ensure GDPR adherence, and provide explainable, auditable decisions.

Capacity concerns can be addressed by AI's ability to deliver data-driven risk selection, real-time portfolio insights, and automated, accurate reporting, thereby building trust amongst distribution channels.

Digital transformation is accelerated by AI, which enables agile, API-driven integration with legacy systems, unlocking value from siloed data without the necessity for a full system overhaul.

Data quality is foundational for success. AI can automate data cleansing, extract value from unstructured sources, and streamline reporting, making advanced analytics possible.

Talent shortages are mitigated by AI-powered tools that augment human expertise, allowing each individual to deliver more by automating routine tasks, democratising knowledge, and making insurance roles more attractive.

AI can also enhance claims management, fraud detection, and broker relationships, while overcoming market resistance through education, transparency, and targeted pilot projects.

The future belongs to those who embrace AI to become agile, data-driven, and efficient.

Closing this productivity, cost and talent gap requires a fresh approach: one which could be offered by Generative AI.

Welcome

The Xceedance Transforming Insurance Operations whitepaper perfectly encapsulates the opportunities and challenges MGAA members will be analysing as we enter 2026. Looking ahead to what will be both an exciting and challenging year for the MGA sector, the rating environment will remain soft, top line growth is clearly on all stakeholder and capital provider agendas and brokers are having to work event harder to retain clients against an increasing competitive landscape.

The result of these combinations is that there is likely to be less premium generated by the market in 2026, however, with claims frequencies and average claims cost (including inflation) likely to rise, the potential for a reduction in margin across all stakeholders is profound. MGAA members will need to navigate a steady course through this turbulence whilst, primarily, protecting their capital providers, greater alignment with their distribution partners and ensuring that they are maximising technological opportunities in both creating operational efficiencies and controlling costs.

This whitepaper provides the platform for MGAA members to review, benchmark their own operational capabilities and potentially execute some of the highlighted areas in creating and deliver greater business efficiency.

For example,

Data Quality – In the past few years, the market has talked significantly about data lake creation and the importance of good clean data to inform decision making. Whilst this is undoubtably true, at the recent MGAA Autumn Forum, a MGAA member panel representing all MGA sector stakeholders scored an average of 4.5 out of ten on the current quality of data being shared across the market. This is quite astounding when you consider the amount of investment and stakeholder interaction which takes place daily across our market.

Capacity – Longevity of capacity is founded on consistent underwriting results over the cycle, which is driven, amongst other factors, by upper quartile risk selection and relentless claims scrutiny. AI tools can assist in delivering all these factors and therefore providing further longevity.

Digital Transformation – Many MGAA members are already on their digital journey, and the importance of this was underlined by the recent 2025 MGAA/Insurance Times UK Broker Survey where brokers were explicit that their priority is to see MGAs invest in real time pricing capabilities, and faster quoting engines. MGAs with their clean architectures are superbly positioned to capitalise.

Mike Keating

CEO, MGAA

AI in Action: Transforming Insurance Operations

This is a comprehensive overview of the broad applicability of AI in insurance. By taking various example operational areas, we demonstrate in the following pages the true extent to which AI will revolutionise insurance.

The MGA sector, built to be nimble and agile, and typically unburdened by legacy tech is uniquely positioned to utilise AI. Those who do so effectively will position themselves as industry leaders in the years to come.

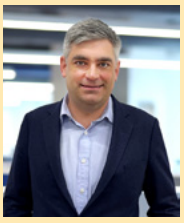
At Xceedance, we are pioneers of this change. Our mission is to empower MGAs with the knowledge and tools to harness AI, transforming operational burdens into competitive advantages.

This paper aims to spark a conversation about the future of insurance: a future that is intelligent, efficient, and powered by AI.

If you'd like to talk it over, *reach out.*

Amit Tiwari

President – EMEA & APAC, Xceedance



Brandon Nuttall

Chief Digital & AI Officer, Xceedance

Digital Transformation Pressures

In recent years, AI has matured into a practical, powerful toolset ready to be deployed across the entire insurance lifecycle. It represents the most significant lever for innovation and efficiency the industry has seen in decades. The mandate for digital transformation is clear: customers expect seamless digital experiences, and competitors are leveraging technology to gain an edge.

MGAs are experiencing a dual-pronged pressure to digitise, driven by both carrier partners and broker clients. Carriers increasingly mandate integration with modern API-driven platforms to streamline data exchange and risk submission, while brokers demand seamless, real-time service. For MGAs, this creates a strategic imperative: modernise their operational core or risk becoming a friction point in the value chain.

"MGAs have been seeing great value from gen AI capabilities for scanning documents and pulling information from disparate data sources. But this is just the tip of the iceberg..."[3]

It represents the most significant lever for innovation and efficiency the industry has seen in decades.

Digital transition is no longer a competitive advantage but a fundamental requirement to maintain binding authority and secure capacity, compelling MGAs to invest more in technology that enhances both efficiency and the overall partner experience. However, for many organisations, the path forward is daunting. The scale of the project, the perceived cost, and the internal resistance can lead to 'analysis paralysis,' where companies are stuck planning instead of doing.

The first steps:

Assessing the current state of tech within a business, identifying the strongest pain-points, and establishing a focused pilot project to address them, are crucial first-steps in shifting to an AI-based model.

Pilot selection:

Pilot projects should be specific, high-pain-point areas where AI can deliver a quick win. Starting with a high-impact, low-risk project, backed by good quality data and with specific, measurable business outcomes, helps to demonstrate value and build internal momentum. Ensuring pilot AI projects are fit-for-purpose is essential to secure future buy-in. Recent research from MIT identifies six key factors the will help determine success: flexibility, the ability to improve over time, clear data boundaries, minimal disruption to current tools, a deep understanding of workflows, and a trusted vendor.[4]

Once a vendor is identified, they will need to work with insurance organisations to overcome common roadblocks for launching AI projects, such as bias, data privacy and security, change management, integration with legacy systems, and clearly defining the "Human in the Loop" model. To successfully deploy even a pilot project, teams must have robust plans in place to address these.

The adoption of AI is not merely an IT upgrade; it is a strategic imperative for growth, profitability, long-term relevance, and unlocking new capabilities.

Fragmented Technology and Legacy Systems

Many insurance businesses operate within a patchwork of systems: a core policy admin platform here, a separate claims system there, and a myriad of spreadsheets and manual processes in between. This fragmentation creates data silos, inhibits a single customer view, and stifles innovation. Additionally, the cost of maintaining and integrating these legacy systems is enormous, both in financial terms and in operational drag.

When brokers and carriers operate on fragmented legacy systems, MGAs become the central hub for manual, error-prone data reconciliation. This technological misalignment forces MGAs to act as human middleware, manually re-keying information between incompatible platforms, which drastically slows down quote-to-bind cycles and policy issuance. The resulting administrative burden increases operational costs and elevates the risk of errors in critical processes, like bordereaux reporting. This hinders the MGA's ability to respond swiftly to market opportunities, and risks damaging its reputation with both capacity providers and distribution partners.

Introducing AI does not always require a "rip and replace" approach. There are now ~100,000 out of the box system integrations that can be leveraged by AI.

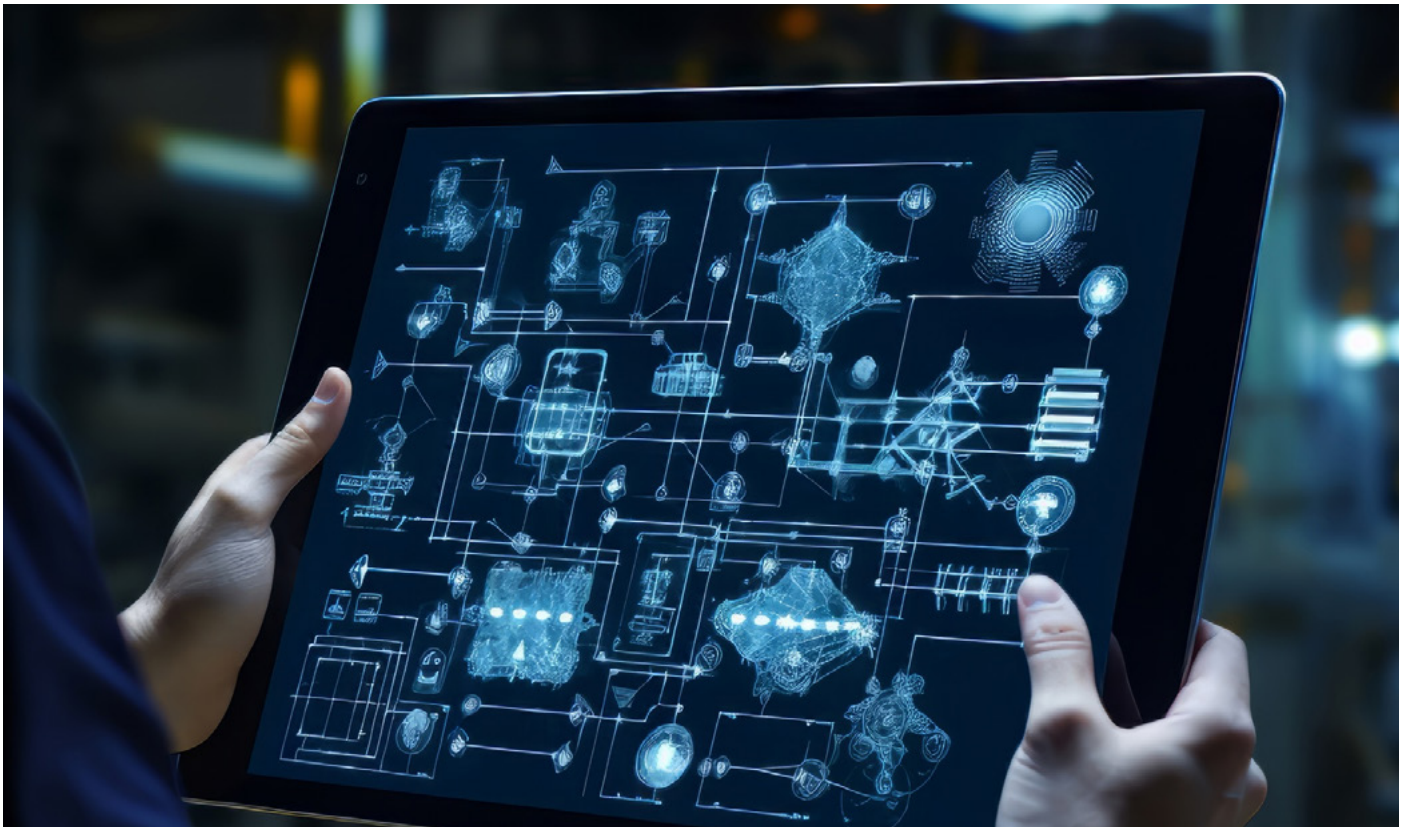
Further, with the formation of the Agentic AI Foundation (AAIF), standard integration protocols and frameworks have become a part of the non-profit Linux Foundation, helping to give assurance that these investments are for the long haul.[5]

The API-First AI Solution:

The modern AI ecosystem is built on API-first architectures.

As recent research from MIT states: "Domain fluency and workflow integration matter more than flashy UX."[6] Next-generation AI tools are designed for integration. They can connect to existing Policy Administration Systems (PAS), claims platforms, and data warehouses via APIs, extracting value from siloed data without necessitating a colossal system overhaul. This approach allows insurance businesses to pursue a gradual, strategic digital transformation, tackling the highest-value problems first with best-in-class solutions that still function as a cohesive whole.

This ability to integrate and unify is the first step toward creating a single source of truth, which is a fundamental element for any advanced analytics or AI initiative.



Introducing AI does not always require a "rip and replace" approach.

Product Launch

Whether an insurance business is looking to respond to emerging risks (e.g., cyber threats, renewable energy projects, gig economy liabilities), or capture new market segments, the traditional product development lifecycle is often slow, costly, and uncertain, which can hamper innovation.

Challenges include data scarcity for novel risks, manual and siloed data and processes, the inability to simulate/stress-test new products, and difficulty integrating a new product into existing systems, distribution channels and claims workflows.

For MGAs in particular, the focus is on speed to market. Artificial Intelligence transforms product development from a linear process into an agile, data-informed, and de-risked endeavour.

"Speed to market is often the name of the game for MGAs. These organisations will be taking advantage of Gen AI's content generation capabilities to boost productivity. Gen AI can assist with code generation, making it easier for them to program new products into their policy platforms. The technology can also help create business requirements for new products. Once the product is ready to launch, MGAs will use gen AI to generate marketing content, enabling more tailored and customized outreach to their distribution network."[7]

How AI can support product launches:

Rapid Prototyping:
AI can analyse vast external datasets to build risk models for emerging exposures. It can also assist in drafting and refining policy wordings, clauses, and exclusions.

Predictive Analytics:
Advanced ML models can use surrogate data from adjacent insurance lines to create more accurate pricing models for new products. AI can also analyse consumer behaviour to predict potential demand and optimal distribution channels.

Digital Twins and Scenario Simulation:
AI enables the creation of "digital twin" portfolios. MGAs write a single policy, then are able to simulate the launch thousands of times under different economic conditions, claim scenarios, and catastrophic events. This allows them to stress-test the product's viability, understand its capital requirements, and refine terms and conditions.

Automated Implementation:
When a product is approved, AI-driven tools can automate its rollout. This includes automatically configuring rules and rating engines within Policy Administration Systems, generating training materials for underwriters and brokers, and setting up dedicated digital distribution portals.

With AI, insurers can launch products with greater confidence, implement sharper pricing strategies, and gain a clearer understanding of risk profiles. The ability to rapidly respond to the evolving needs of the market will become a competitive differentiator for modern insurance organisations.

Underwriting: AI-Powered Precision

AI has the power to revolutionise underwriting, shifting it from a manual, often subjective process to a data-driven, predictive powerhouse. According to McKinsey: "AI can automate up to 80% of repetitive, manual tasks in underwriting, freeing up human underwriters to focus on complex cases and customer interaction. This can lead to a 40% improvement in operational efficiency and reduce underwriting cycle times from days to minutes for standard risks."[8]

By harnessing vast and varied datasets, AI empowers underwriters to achieve unprecedented levels of precision, efficiency, and insight. Several key AI technologies power the engine of this change:

Predictive Analytics:
Machine learning models that analyse historical and real-time data to forecast future losses with remarkable accuracy, enabling more sophisticated risk selection and personalised pricing, especially for complex speciality lines.

Natural Language Processing (NLP):
AI can instantly read and interpret unstructured data from thousands of pages of documents (such as clinical notes, legal contracts, and loss run histories) and extract critical information that would otherwise take weeks.

Computer Vision:
Algorithms can now assess visual data, from satellite imagery of property locations to photos of damaged assets, automating assessments and flagging potential risks instantly.

This combination can create a more robust and dynamic underwriting environment.

AI-powered underwriting tools offer MGAs transformative benefits, primarily by bolstering human expertise to achieve scale and precision. These tools enable the rapid analysis of vast, alternative datasets (e.g. from IoT sensors, or geospatial imagery), and provide scope for a more nuanced risk assessment. This allows MGAs to accurately price complex or niche risks, accelerating submission turnaround and improving the broker experience. Furthermore, AI enhances consistency in decision-making, reduces human bias, and identifies subtle risk patterns, leading to more profitable underwriting and a stronger value proposition when presenting their book to capacity providers.

By harnessing vast and varied datasets, AI empowers underwriters to achieve unprecedented levels of precision, efficiency, and insight.

Ultimately, the AI evolution in underwriting will allow insurance businesses to achieve more with their existing resources, driving profitability and securing a formidable competitive edge.

AI-Powered Tools: The Underwriting Workbench

Underwriting Workbench tools empower underwriting teams by integrating AI directly into their daily workflow.
This tool provides underwriters with real-time, AI-driven insights at the point of decision. It can automatically score risks, flag potential anomalies, suggest policy terms, and provide benchmarking data against the existing portfolio, all within a single interface.

Key Benefits:

Increased Efficiency:
Dramatically reduces quote turnaround times and improves underwriter productivity.

Enhanced Consistency:
Embodies underwriting rules and company philosophy to ensure a consistent approach across the team and mitigate unconscious bias.

Improved Profitability:
Provides data-driven recommendations that help select and price risks more accurately, directly improving loss ratios.

Accelerated Onboarding:
Helps new underwriters get up to speed quickly by providing expert guidance and guardrails.

Tools like the Xceedance Underwriting Workbench transform the underwriter from a data processor into a strategic decision-maker, making the role more engaging and effective.

Data Quality: A Stumbling Block?

"The insurance industry is buzzing with AI activity, but realising its value remains a work in progress, as many insurers struggle with fragmented, messy data sprawl and outdated systems."[9]

The effectiveness of any analytical model is contingent on the quality, quantity, and accessibility of the data it trains on. "AI models thrive on volume and variety, but they demand consistency and clarity. Feeding an algorithm inconsistent data is like teaching a student from contradictory textbooks."[10]

As intermediaries, MGAs aggregate data from numerous partners, who may have varying data capture standards, resulting in inconsistent, incomplete, or erroneous information. This "garbage in, garbage out" paradigm is critically dangerous when feeding AI models or reporting to carriers, potentially invalidating risk insights and breaching contractual obligations. However, MGAs have a unique opportunity with AI. Used effectively, this technology can translate information seamlessly across their networks, building a smoother, quicker and more accurate distribution channel and solidifying their crucial role as the glue that holds other market participants together.

The effectiveness of any analytical model is contingent on the quality, quantity, and accessibility of the data it trains on.

For many businesses across the value chain, data is inconsistent, incomplete, or trapped in unstructured formats (e.g. PDFs, emails, documents). To address this, we can think of AI as both the tool and the finished product. Before AI can be used to derive value from advanced predictions, it should first be deployed to help resolve the data problem itself:

Automated Data Cleansing:
AI algorithms can identify and rectify inconsistencies, fill in missing values based on probabilistic models, and standardise data formats across sources.

Unlocking Unstructured Data:
Natural Language Processing (NLP), a subset of AI, can read, interpret, and extract structured data from unstructured documents like emails, loss adjuster reports, and signed policies. This vastly improves the speed at which this data becomes a usable, valuable asset.

Proactive Reporting:
Instead of teams spending days manually compiling reports, AI can automate the entire process, ensuring accuracy and freeing up talented team members to focus on strategic analysis that creates measurable business impact.

AI-Powered Tools: Insurance Data Platform

A clean, unified, and accessible dataset is the bedrock of insurance intelligence. The Xceedance Insurance Data Platform (IDP) is engineered to deliver a single source of truth.

IDP is a cloud-native platform that uses AI and machine learning to automatically ingest, validate, and harmonise data from any source, such as internal PAS, external aggregators, or unstructured documents, like PDFs and emails. It goes beyond simple data warehousing by actively improving data quality through intelligent processing.

Key Benefits:

Eliminates Silos:
Breaks down data barriers between underwriting, claims, and finance, providing a holistic 360-degree view of the business.

Ensures Accuracy:
Automated validation checks dramatically reduce errors and ensure reporting to carriers and regulators is impeccable.

Unlocks Advanced Analytics:
Provides the high-quality, structured data foundation required to build sophisticated pricing, risk, and claims models.

Data sits right at the heart of any insurance business. With IDP ensuring accuracy and efficiency, it makes every subsequent AI application more powerful and more reliable.

Bordereaux Reporting Challenges

One of the primary operational challenges faced by the entire distribution chain is the sheer volume and fragmentation of data. The industry's reliance on the Bordereaux (BDX) as a standard data exchange is a necessary but flawed compromise. Standard Bordereaux processes include manual data aggregation, and significant time delays.

"For decades, bordereaux reporting has been the default method of communicating performance between MGAs, carriers, TPAs and reinsurers. What was once a simple way to share policy and claim level data has become one of the most persistent sources of operational friction in the entire delegated authority model."[11]

As they are aggregated and pre-formatted, Bordereaux can obscure the granular, individual risk details needed for accurate pricing and underwriting. This is where AI can help, allowing carriers to communicate directly with the underlying source data. By applying techniques such as Natural Language Processing and Machine Learning, AI can parse unstructured documents, normalise disparate data formats, and uncover hidden signals within.

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Intelligent Data Extraction:
AI can be trained to read and extract specific, high-value data points from original source documents, such as PDF applications, loss runs, and inspection reports – thereby bypassing traditional Bordereaux aggregated summaries to build a richer, more accurate risk profile.

Pattern Recognition and Fraud Detection:
Instead of relying on Bordereaux's limited view, AI algorithms can scrutinise thousands of individual claim transactions to identify subtle patterns and anomalies that indicate potential fraud, which are often averaged out of Bordereaux data.

Dynamic Risk Segmentation:
AI models can analyse the raw, underlying policy and claims data to discover new, predictive variables and correlations, enabling the creation of dynamic risk segments that are far more precise than the static categories defined in the standard Bordereaux format.

Effective communication between parties is the bedrock of successful insurance operations, ensuring clarity, trust, and efficient capital flow. Building AI into the Bordereaux reporting process can improve communication and ease the administrative burden of skilled staff, allowing them to focus on value-added underwriting work. Further, the introduction of real-time data visibility boosts an MGA's ability to conduct proactive portfolio management, making it easier to identify trends or issues during the current underwriting period.

AI-Powered Tools: Bordereaux Processing

The Bordereaux is the lifeblood of the MGA distribution model, but its processing is often manual, error-prone, and slow. The Xceedance Bordereaux Processing Tool uses AI to automate this critical function completely.

The Xceedance Bordereaux Processing Tool

Leveraging advanced Optical Character Recognition (OCR) and machine learning (ML), the tool can ingest Bordereaux in any format (PDF, Excel, CSV), automatically validate the data for accuracy and completeness, and reconcile it against policy and premium finance records.

Key Benefits:

Eliminates Manual Entry:
Reduces processing time from days or weeks to minutes, with near-perfect accuracy.

Improves Cash Flow:
Accelerates the flow of data to carriers, which in turn speeds up reinsurance recoverables and profit commission calculations.

Provides Instant Insights:
Transforms the Bordereaux from a static report into a dynamic data source, allowing for real-time analysis of production and performance by broker, class, or region.

Enhances Carrier Confidence:
Delivering flawless, timely Bordereaux strengthens the partnership with capacity providers.

Capital Flow: Capacity & Distribution

MGAs, brokers, and capacity providers (carriers) are deeply interconnected. The efficient and profitable flow of capital from carriers through MGAs and brokers to the end client is the lifeblood of this system.

The availability of capital, increasingly complex (and different) reporting formats and requirements, and operational and administrative processes all impact how smoothly the capital flows.

AI is emerging as a critical tool for insurance businesses to not only navigate these changes but also to transform their distribution channels into strategic and transparent partnerships that provide benefit to all parties.

Capital in hard vs soft markets

In a hard market, MGAs can use AI as a proof engine, delivering deeper insights, more robust risk selection and greater transparency in performance as required by carriers. AI-powered, data-driven underwriting, for example, allows MGAs to present carriers with concrete data on the quality of their risk selection.

However, in a softening cycle, increased competition and abundant capacity pressure MGAs to demonstrate unparalleled efficiency and demonstrable value to their carrier partners. They will favour MGAs that leverage technology to present well-structured, profitable, and transparent data, efficiently. This may accelerate the shift towards embedded MGA facilities, where technology platforms facilitate direct, real-time risk placement. Consequently, MGAs with outdated distribution models reliant on manual processes will struggle, while those with digital platforms can thrive by offering carriers a cost-effective, data-rich, and agile route to access niche markets with precision and reduced operational overhead.

AI supports MGAs by helping to:

Demonstrate underwriting discipline:
Using AI tools as a guardrail to ensure against reckless pricing by providing data-backed rationale for not engaging in a race to the bottom, protecting both the MGA and the carrier's book.

Identifying opportunistic niches:
Rapid analysis of market data can identify underserved niches or profitable risks for carriers and MGAs to expand into together.

Streamlining operations:
For carriers, automated regulatory reporting and claims triage can greatly reduce the cost of doing business. Meanwhile, brokers typically have more options in a softening market. Therefore, MGAs who use AI to offer instantly bindable quotes and seamless service to their end customer will be in a strong position to win business.

> The efficient and profitable flow of capital from carriers through MGAs and brokers to the end client is the lifeblood of this system.

Regulatory Complexity and Compliance: Navigating the Labyrinth

The regulatory landscape is more complex than ever. As DWF Group puts it: "The insurance industry continues to contend with ongoing regulatory challenges from myriad political and economic factors. These drivers create a dynamic and ever-changing regulatory landscape, requiring insurance companies to stay agile and adaptable to safeguard ongoing compliance."[12]

For example, while GDPR and PRA/FCA regulations provide a foundational framework, new, targeted directives are creating a web of compliance obligations. Two of the most significant are the EU AI Act and the Digital Operational Resilience Act (DORA).

- **The EU AI Act:**
  This landmark legislation establishes a risk-based framework for AI applications. Whilst insurance activities do not typically fall under "high-risk," classifications (with the exception of life and health insurance underwriting, and creditworthiness of individuals), there is an increasing expectation that any AI deployment must be built on auditable, explainable, and fair algorithms. The "black box" model will no longer be viable. Awareness and application of the high-risk governance criteria may be necessary in the future.

- **DORA:**
  Focusing on financial entities' digital operational resilience, DORA mandates rigorous testing, risk management, and incident reporting for ICT-related disruptions. AI systems, as critical digital infrastructure, fall squarely within its scope. MGAs must demonstrate that their AI tools are secure, reliable, and have effective contingency plans.

The evolving scope of MGAs responsibilities under the Insurance Distribution Directive (IDD) and FCA regulations, particularly around product governance and fair customer outcomes can present an operational challenge. As regulated entities, MGAs are accountable for ensuring appropriate product design, target market identification, and oversight of their distribution chains. This requires robust systems and controls to monitor broker activity and ensure compliance.

Navigating the nuances across different capacity providers and staying abreast of regulatory changes demand significant investment in legal and compliance expertise, which can be particularly challenging for smaller, specialist MGAs.

How AI Can Help:

Ironically, AI is both a subject of regulation and a potential solution to compliance challenges. AI-powered platforms can:

- Automate the monitoring of regulatory changes and map them to internal policies.
- Help ensure that global governance is incorporated into the design of new systems from first principles.
- Continuously scan and audit data processes to ensure GDPR and other regulatory compliance (e.g. the right to be forgotten).
- Provide built-in model governance features, ensuring AI decisions are clear, explainable and documented for regulators.
- Enhance operational resilience through predictive analytics, identifying potential system vulnerabilities before they cause an outage.

Compliance is shifting from a reactive, tick-box exercise to a proactive, integrated function. AI is the key to making this shift manageable and cost-effective.

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Claims Inflation & Cost Volatility

Economic factors are driving claims costs upward across the board, from the price of automotive parts and building materials to higher court settlements. This volatility puts immense pressure on profitability and makes accurate reserving and pricing more challenging than ever.

"If the industry does not adapt, we risk widening the gap between pricing assumptions and actual claims costs, which can erode trust with policyholders and limit commercial growth".[13] Proactive MGAs are tackling claims inflation by leveraging advanced analytics and technology to gain a finer-grained view of risk. They are integrating more sophisticated data sources (e.g. weather patterns, supply chain analytics, or parts/labour cost indices) into their pricing models to ensure premiums keep pace with rising costs.

AI provides critical tools to manage this inflation by injecting precision and speed into the claims process.

Predictive Analytics for Reserving:
AI models can analyse vast datasets to predict the ultimate cost of claims more accurately, leading to better reserving practices and improved financial stability. For captive insurers, improved analytics can also help provide business cases for investments with a large outlay but that will bring the overall number of claims down in the long-term (e.g. fitting advanced driver safety systems for fleet vehicles, predictive maintenance technology for properties, or employee health and wellness initiatives).

Intelligent Triage and Routing:
Natural language processing (NLP) can read first notice of loss (FNOL) descriptions and automatically categorise claims by complexity and estimated value, routing them to the appropriate handler or external partner (e.g. loss adjuster) instantly. This speeds up settlement for simple claims and ensures complex ones get expert attention immediately.

Preventing Leakage:
AI can audit claims files in real-time, comparing elements like claimed injuries to the accident description, or checking repair costs against market rates, thereby identifying potential overpayments and containing cost leakage.

> Volatility puts immense pressure on profitability and makes accurate reserving and pricing more challenging than ever.

Fraud Risks and Detection Gaps

Insurance fraud is a persistent drain, costing the industry billions annually. Traditional rules-based fraud detection systems are reactive and easily bypassed when sophisticated fraudsters understand the rules. They also generate high false-positive rates, which wastes time for investigators and slows down responses for genuine claimants.

Forward-thinking MGAs are employing AI to enhance claims triage and fraud detection at first notice of loss (FNOL), mitigating leakage. By presenting this data-driven approach to claims management to their carrier partners, MGAs can strengthen their case for adequate rating and demonstrate active portfolio stewardship. AI and machine learning revolutionise fraud detection by moving from acting on pre-defined rules to detecting suspicious patterns/behaviours:

> The goal is not to replace insurance professionals but to empower them.

Anomaly Detection:
ML models can analyse millions of claims to learn the patterns of "normal" behaviour. They can then identify subtle anomalies that may not be caught by a rigid rule, such as a seemingly legitimate claim that shares a bank account with a known fraudulent entity.

Network Analysis:
AI can map relationships between claimants, brokers, providers, and other entities to uncover complex organised fraud rings that are near impossible to spot otherwise.

Proactive Prevention:
By scoring the likelihood of fraud early on (e.g. quote or FNOL), AI can flag high-risk cases for immediate investigation.

Talent Shortages and Workforce Management

The insurance industry is grappling with a well-documented talent crisis, competing with the tech sector for data scientists, actuaries, and digitally-native professionals. As employment patterns shift and skilled professionals move more readily, it is increasingly difficult to attract and retain the specialised skills needed to compete.

To compete successfully for the best talent, MGAs must leverage their unique strengths as agile, specialist organisations. They can attract next-generation talent by offering focused exposure to the entire insurance lifecycle, from underwriting to claims, which is often siloed in larger carriers. Promoting a tech-forward culture that values data literacy and innovation is key. AI offers a powerful opportunity to differentiate:

Augmented Intelligence:
The goal is not to replace insurance professionals but to empower them. AI acts as a force multiplier, automating mundane tasks and amplifying human expertise.

Upskilling, Not Replacing:
By automating data entry, routine underwriting, and basic claims triage, AI frees up skilled underwriters, claims handlers, and analysts to focus on complex risks, strategic decision-making, and customer relationship management: high-value work that's best done by humans.

Democratising Expertise:
An AI-powered underwriting workbench can encapsulate the knowledge of senior underwriters, guiding less experienced team members through complex risk assessment processes and ensuring consistency and quality across the entire book.

Making Roles More Attractive:
Leveraging AI allows MGAs to offer more modern, tech-enabled roles, making them more attractive to the next generation of insurance talent who want to work with cutting-edge technology.

MGAs should also seriously consider investing in upskilling their existing staff through targeted training in data analysis and AI tool application, as well as strategic partnerships with insurtechs to access external technological expertise, effectively bridging the gap until internal capabilities are fully developed.

"By enabling talent to step into more meaningful, judgment-intensive roles, insurers can not only improve internal efficiency but also deliver more compassionate, trust-based services to their customers."[14]

Market Resistance and Structural Friction

Despite many clear benefits, the adoption of AI faces inherent resistance. Recent research from MIT showed that "unwillingness to adapt to new tools" was the most frequently encountered obstacle when trying to scale AI projects.[15] The reasons are not entirely clear-cut, but stem from several sources:

Cultural Hesitancy:
A fear that AI will replace jobs, a perceived lack of control over "black box" decisions, and a general comfort with established processes.

The "Wait-and-See" Approach:
Many firms are waiting for competitors to prove the concept first, inadvertently ceding the first-mover advantage.

Budgetary Concerns amid Instability:
Transforming insurance businesses into "AI-led" organisations is seen by some as an insurmountable budgetary outlay. Plus, between the market softening, rising natural catastrophe perils and geopolitical turmoil, many insurance businesses are looking to control costs as a means of improving combined ratios.[16]

Structural Inertia:
The perceived complexity of integrating new tech with legacy systems can seem insurmountable.

As McKinsey note: "While AI holds immense potential for insurers, scaling it enterprise-wide remains challenging. Security risks, high costs, the risk of getting locked in with suppliers, talent shortages, cultural resistance, governance gaps, and legacy infrastructure often hinder progress. A true transformation requires addressing these barriers head-on—and doing so in a thoughtful way that avoids creating 'tomorrow's legacy' with the proliferation of approaches and solutions we are seeing today."[17]

As Xceedance discussed in Insurance Day, "[The] insurance sector as a whole has been relatively reluctant to adopt AI. However, managing general agents (MGAs) and managing general underwriters (MGUs) are somewhat more open to the technology, given they have much smaller workforces and cannot simply hire more staff."[18]

However, many MGAs have concerns over "black box" decision-making that could erode their specialised underwriting authority and alienate broker relationships built on trust. Fears of data bias and potential regulatory non-compliance are also significant.

The following simple, practical approaches can help foster acceptance and demonstrate AI as a tool that enhances the MGA' s core value:

Focus on Education & Transparency:
Demystifying AI is crucial. Framing it as "Augmented Intelligence" focuses on empowerment, not replacement. Choosing explainable AI (XAI) models helps build trust both internally and with regulators.

Start Small:
A targeted pilot project focused on a single pain point (e.g., automated Bordereaux processing) can demonstrate rapid ROI and build a compelling business case for wider rollout.

Partner for Success:
Working with an experienced implementation partner who understands both insurance and AI can de-risk the project, navigate technical challenges, and ensure a smooth transition that aligns with business goals.

Leaders who are able to overcome resistance will be in a strong position to define what the next decade looks like for the insurance industry.

Many MGAs have concerns over "black box" decision-making that could erode their specialised underwriting authority and alienate broker relationships built on trust.

Conclusion: Leading the AI-Powered Future

The modernisation and efficiency challenges facing the insurance industry are significant, but they are not insurmountable. In fact, each challenge outlined in this paper represents a clear opportunity for transformation and business growth. Artificial Intelligence offers practical, powerful solutions to the most persistent problems in insurance.

The journey to becoming an AI-powered organisation does not require a leap of faith into the unknown. It should not be based on guesswork. It requires a strategic, step-by-step approach, beginning with the prioritisation of core pain points and the selection of a technological partner with the right knowledge, experience and cultural fit for each business.

"Carriers could form networks of partners to provide fee-based services that can complement or expand their traditional product and service portfolios."[19]

The future of insurance belongs to those who are agile, data-driven, and efficient. It belongs to those who empower their human experts with intelligent tools. At Xceedance, we are pioneering this future. We possess the deep insurance expertise and cutting-edge technical knowledge to not only envision the possibilities of AI, but also to make them an operational reality.

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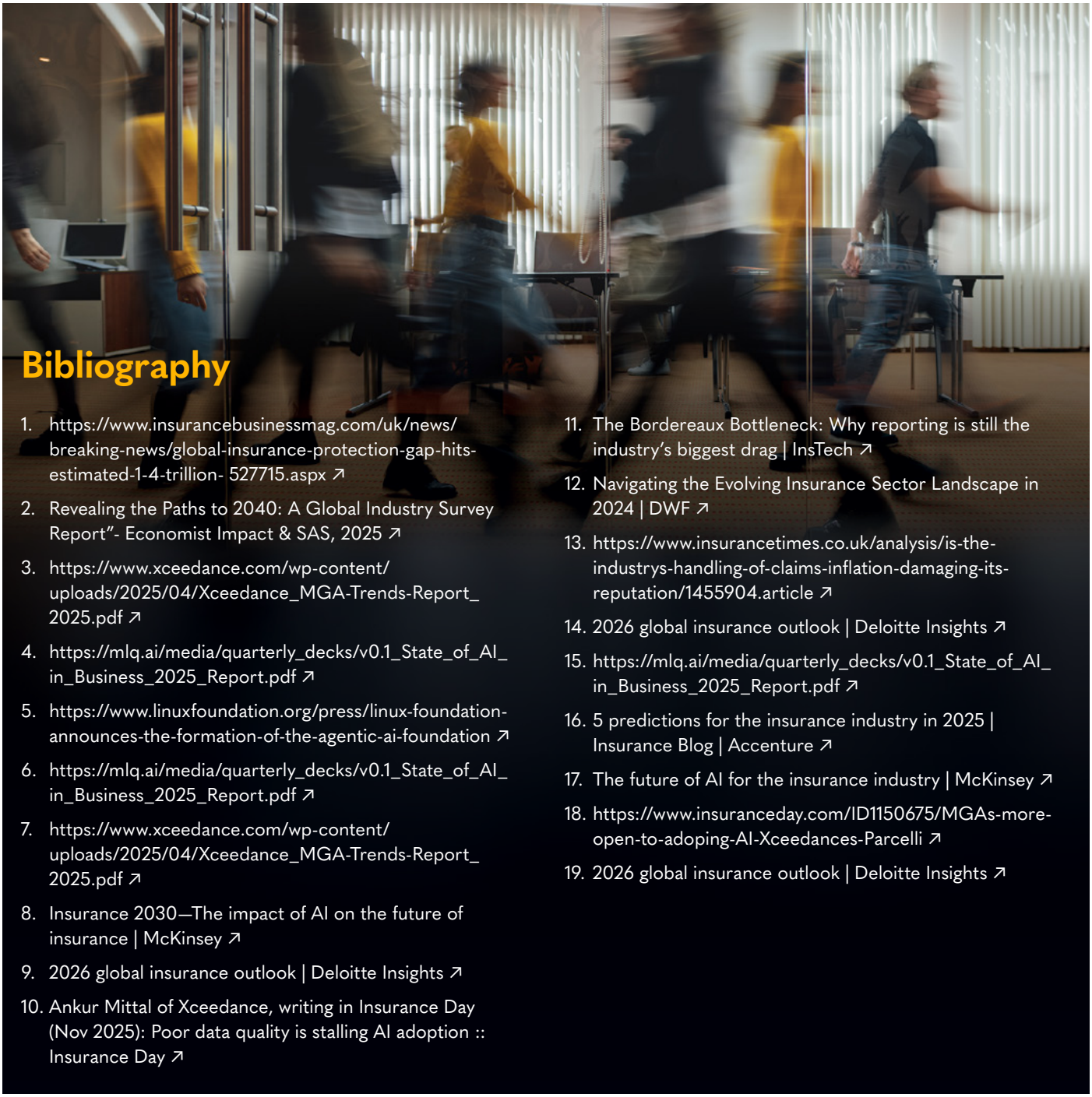

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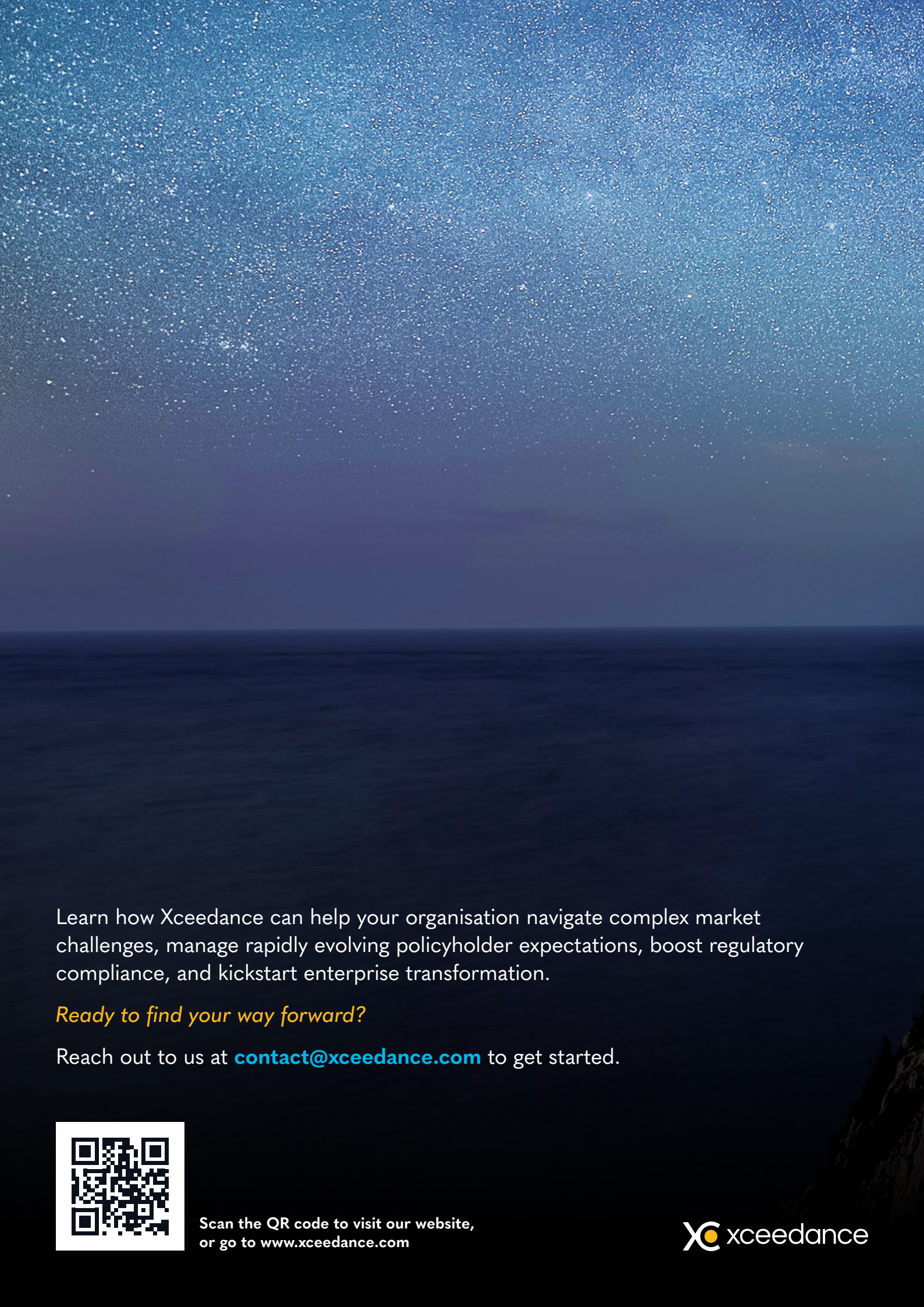

Learn how Xceedance can help your organisation navigate complex market challenges, manage rapidly evolving policyholder expectations, boost regulatory compliance, and kickstart enterprise transformation.

Ready to find your way forward?

Reach out to us at **contact@xceedance.com** to get started.

Scan the QR code to visit our website, or go to www.xceedance.com

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