

INSURANCE INDUSTRY

Competing for the AI-Empowered Insurance Customer

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In a few years, the first step in buying insurance might not be a phone call or a web search but a conversation with an AI assistant. Insurers need to prepare for a world where AI tools are the front door to their business and guide, or even make, consumers' purchasing decisions.

This shift is an opportunity, not an existential threat. Agentic AI—systems that act and decide on behalf of consumers—can make insurance more intuitive, personalized, and accessible. Insurers

that adapt early by gaining visibility in AI-driven journeys and enhancing the AI capabilities of traditional distribution partners will be best positioned to capture growth in this new age.

Consumer Behavior Is Changing

The next big transformation of consumer behavior is underway. By 2030, digital natives will make up more than a third of the market, bringing with them habits shaped entirely online. At the same time, AI is rewiring how people move through the internet. AI browsers and conversational assistants are replacing the old practice of typing a query into a search bar; instead, users are letting large language models (LLMs) guide the journey for them. Simple answer engines are quickly evolving into AI agents that influence or determine what people buy.

The shift is already apparent. A YouGov survey found that more than 90% of consumers now use GenAI tools weekly, and about 40% say they trust the information these systems provide. Roughly 20% of purchasing decisions are already influenced by AI. The result is that customer journeys are increasingly steered by an AI adviser.

Although insurers have been slower than many industries in adopting new customer-facing technology, they will soon feel the effects of the growing share of digital-native and digitally confident customers who embrace AI-driven journeys. Not every customer will make this shift, but agentic AI will reshape how a growing portion of customers discover, compare, and choose products across every sector—including insurance.

Three Waves of AI in Distribution

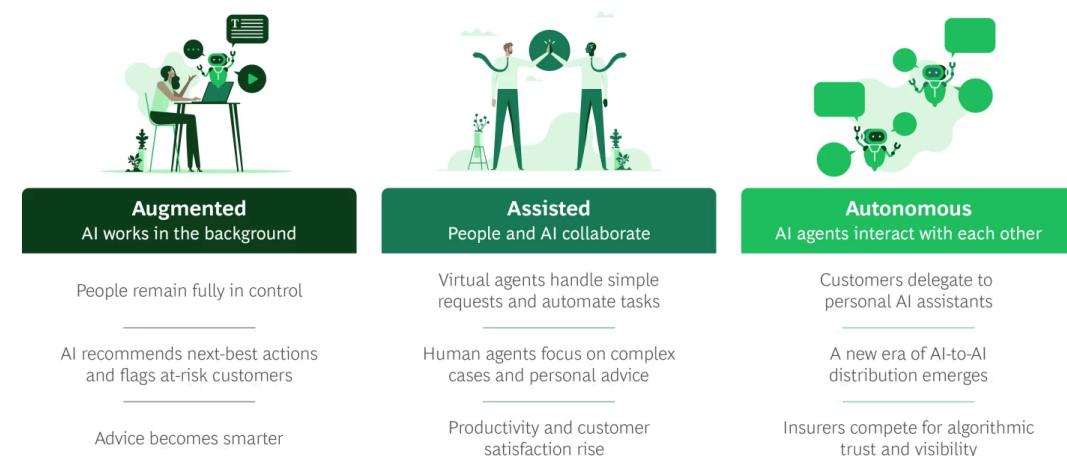
As shown in Exhibit 1, the adoption of AI in insurance distribution will likely progress in three waves:

- **Augmented.** Initially, AI will work in the background. Traditional insurance agents remain in control, supported by AI tools that recommend next-best actions, generate persuasive talking points, or flag customers at risk of churn. The customer relationship stays personal, but the advice becomes smarter and faster.
- **Assisted.** In the next phase, insurance agents collaborate with AI assistants that manage simple tasks such as renewals, changes of address, data collection, and lead generation. These assistants also automate administrative work, allowing human agents to focus on complex products and high-value interactions where human judgment matters most.

- **Autonomous.** Over time, a growing share of digital-native and digitally confident customers will delegate more decisions to their own AI assistants, which can compare offers, handle inquiries, and even purchase policies within set parameters. The proportion of customers who choose full autonomy will exceed today's digital-direct share. As this segment expands, the rules of engagement between customers and insurers will change. Insurers will need to compete not only for customers' attention but also for the trust of the AI assistants acting on their behalf.

EXHIBIT 1

Three Waves of AI Adoption in Insurance Distribution



Source: BCG.

Reinvention, Not Replacement

Together, these waves represent a path toward reinvention, not replacement. The travel industry offers a preview, with AI-powered platforms already helping users search, compare, and book. Purchasing insurance—often seen as complex and unexciting—stands to similarly benefit. Conversational AI assistants can reduce complexity and promote engagement, turning what was once a difficult chore into a guided, intuitive experience.

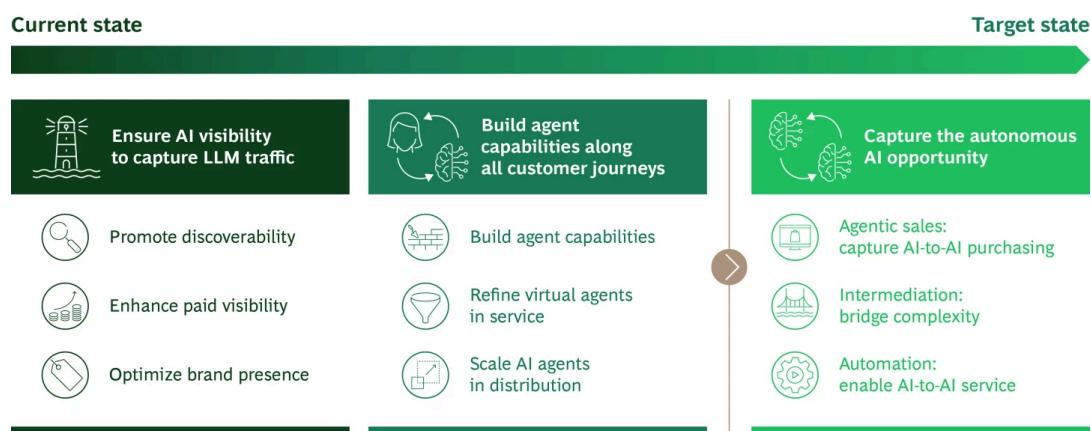
AI removes much of the friction that has held back digital insurance buying. Instead of navigating complex forms or dense product pages, customers will be guided through simple, conversational journeys that make choosing and buying insurance dramatically easier.

Yet even as AI adoption accelerates, human interaction will remain central. Roughly 80% of policies are still sold and serviced through traditional channels, with only about 20% transacted online, depending on the market. Although the rise of agentic AI will expand the reach of digital direct channels, it will likely not fundamentally change the distribution mix in the foreseeable future.

For insurance executives, it is imperative to seize the strategic opportunity. Those who act early can use agentic AI to strengthen—not sideline—their traditional distribution networks. The near-term priorities are twofold: remain visible within the growing share of AI-driven customer traffic, and harness AI to enhance the performance and productivity of distribution organizations. Looking further ahead, insurers must prepare for autonomous distribution. (See Exhibit 2.)

EXHIBIT 2

Insurers Must Enhance Visibility and Capabilities and Enable Autonomy



Source: BCG.

Stay Visible to LLMs

As customer behavior evolves, LLM-powered answer engines or personal assistants will increasingly become the starting point for purchasing journeys. This transition, already underway in the augmented distribution phase, reduces direct traffic to insurers' websites and traditional price comparison sites, threatening their relevance.

To remain discoverable, insurers must be recognized by the AI systems that mediate these journeys. This requires a new discipline: answer engine optimization (AEO)—the next evolution of search engine optimization and paid visibility. Insurers that master AEO are already seeing tangible results, including a 15% to 25% lift in conversion rates, according to BCG's experience. Winning in this environment requires action across multiple fronts, including:

- Optimizing website content to promote readability by agentic AI
- Strengthening digital-brand presence to stay relevant to LLMs
- Building partnerships to ensure inclusion in LLM data ecosystems
- Reinforcing physical-brand presence to sustain recognition beyond digital channels

Enhance Traditional Distribution Organizations

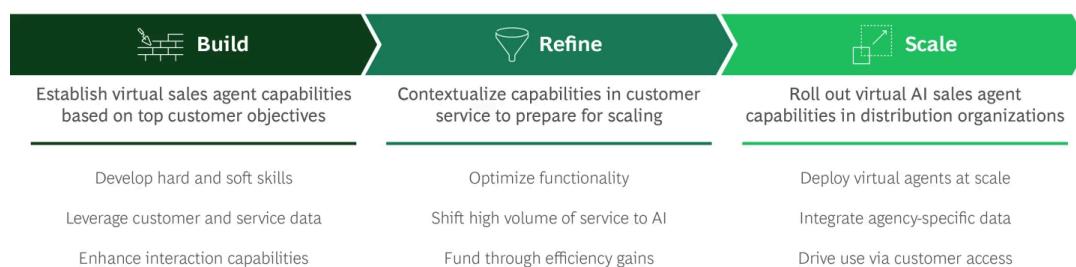
While staying visible to LLMs is a tactical, no-regret move, helping distribution organizations harness agentic AI will be a strategic imperative as assisted distribution takes hold. Even in the AI age, personal advice will remain indispensable, particularly in complex product categories and critical moments when empathy and trust still drive decisions.

Insurers can use customer-facing virtual assistants to boost the productivity of distribution organizations and elevate service quality. As shown in Exhibit 3, a practical three-step approach can guide this transformation:

- Build AI capabilities to answer general questions, resolve customer-specific queries, and execute personalized processes from end to end in a natural, empathetic way.
- Refine virtual assistants' capabilities centrally (for example, within customer service). Fund the transformation by shifting significant volume to self-service.
- Scale the model throughout the distribution organization by equipping each insurance agent with a tailored virtual assistant enriched with agency-specific context and customer data.

EXHIBIT 3

Three Steps to Empower Distribution Organizations



Source: BCG.

If executed well, insurers can leverage human access—their unique advantage—to drive adoption of virtual assistants and create mutual value. Customers will gain 24/7 service for simple needs through conversational text or voice interactions. Insurance agents can use virtual assistants to automate routine tasks, boosting productivity and freeing time to focus on complex products and meaningful client interactions. Virtual assistants can also capture and use data-driven insights to uncover sales opportunities.

Prepare for Autonomous Distribution

Insurers that invest now in visibility and capabilities will be best positioned to thrive in the era of autonomous distribution, when customers' virtual assistants interact directly with distribution organizations' virtual assistants.

For insurers already visible within the AI ecosystem, AI-agent-to-AI-agent distribution will evolve naturally from today's direct-sales activities. Instead of LLMs routing customers to insurer websites, personal AI assistants—operating within legal and regulatory boundaries—will compare, negotiate, and even purchase policies on customers' behalf.

Direct distribution through virtual assistants will create unprecedented opportunities, potentially redefining the rules of the game in insurance distribution. Virtual assistants' capabilities include answering unlimited questions almost instantly, enriching data collection, and improving underwriting quality. By strengthening connections between insurers and customers, these systems will unlock direct access to products once considered too complex for digital sales.

Insurers that build their own virtual assistants will gain additional advantages. These proprietary systems can become the natural counterparts to external AI assistants, facilitating seamless exchanges. With the right implementation, insurers will secure customer access and benefit from streamlined, automated interactions that reduce service costs.

The adoption of agentic AI is poised to reshape insurance distribution. Although other industries may see more dramatic impacts, insurance executives should not underestimate either the scale of change or the opportunity it presents. Insurers that prepare today—by investing in AI visibility, empowering their distribution organizations, and building the foundations for interactions between external and internal virtual assistants—will define the next era of distribution. Those that succeed

will turn technological disruption into sustainable advantage and secure their place in the emerging AI ecosystem.

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