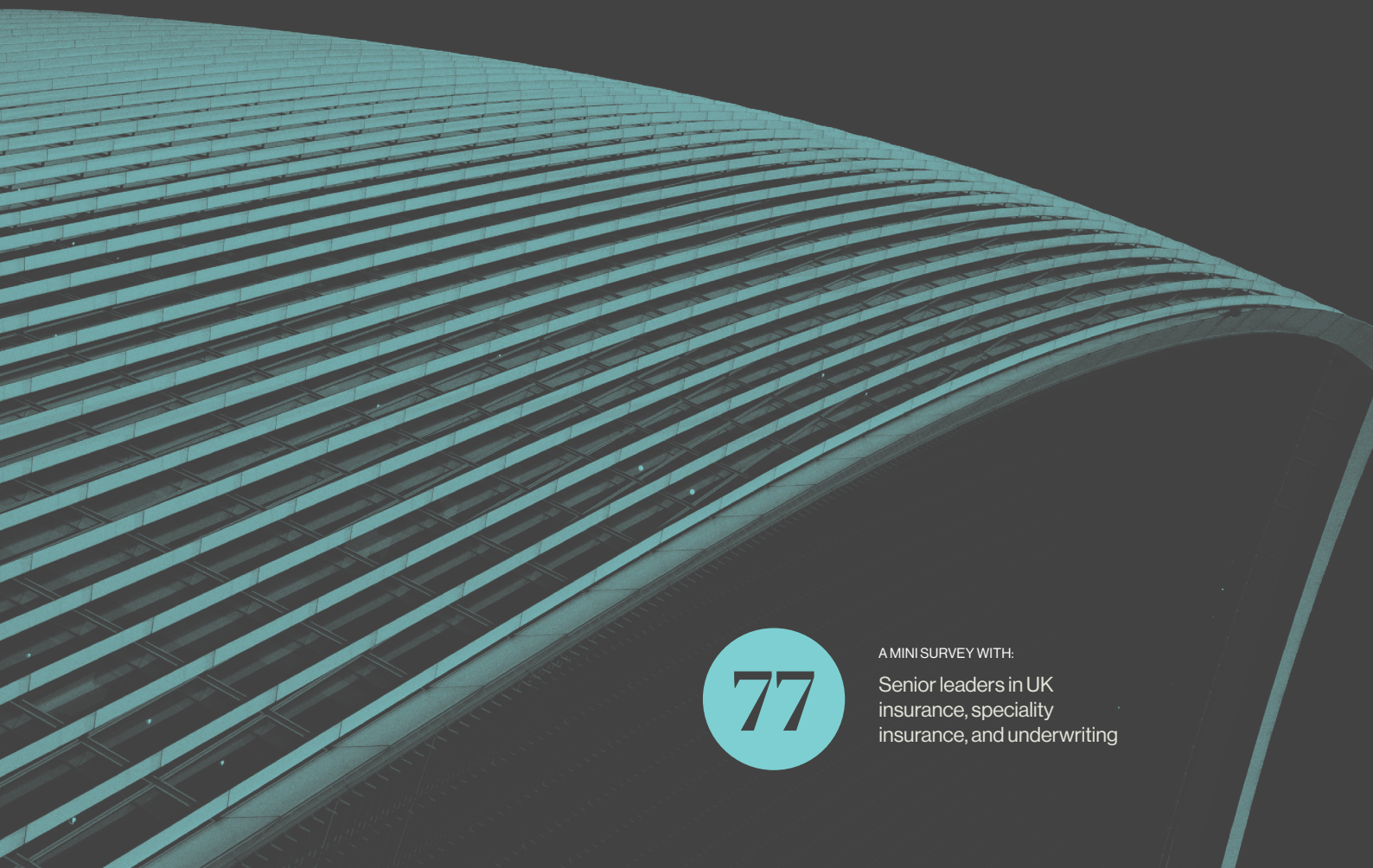
Softwire

Beyond Confidence

Closing the gap between AI ambition and data foundations



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A MINI SURVEY WITH:

Senior leaders in UK insurance, speciality insurance, and underwriting

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The lack of alignment between business and technology goals and the fragmentation of data governance mechanisms, prevents technology investments from being efficiently converted into quantifiable business value

CIO, UK Insurance firm (100–149 employees)

01

Foreword

The UK insurance industry's biggest challenge isn't confidence, it's the opposite. All respondents have moved an AI pilot into production, nearly a quarter (23%) describe their use of AI as transforming their business, and over half (51%) are deploying AI for risk modelling and stress testing. Progress is tangible, and it's encouraging.

But confidence alone won't be enough. A regulatory reckoning is coming into view.

The Treasury Committee, the FCA and the Bank of England are all sharpening their focus on how AI is used across financial services. The Committee singled out a lack of transparency in AI-driven insurance and credit decisions, and in response the FCA committed to sharing examples of good and poor practice in firms' use of AI. Whatever form it takes, insurers will need to show more of their workings — not just how a decision was made, but why.

That's a harder ask than it sounds. 71% of insurance leaders rate their data governance as advanced or leading. Meaning most already have the policies, processes and roles in place to manage data availability, security, integrity and compliance.

But whether the data itself is accurate, complete, consistent, reliable and timely is another matter.

That's where there seems to be real work still to do:

86%

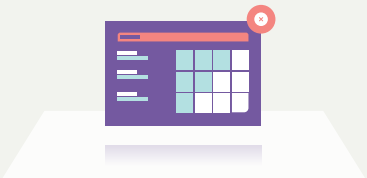
Poor data foundations

Data quality or accessibility is currently limiting their ability to pursue AI or automation

84%

Manual analytics tracking

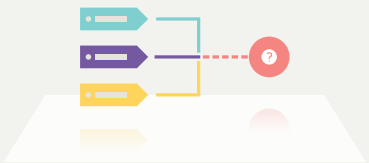
A fifth of their analytics through manual or spreadsheet-based processes



48%

Limited auditability

Name lineage and auditability — the ability to explain a decision, not just report it — as their single biggest data challenge



Good governance and poor data quality can coexist. Having the right policies, roles and controls in place doesn't guarantee the data flowing through them is accurate, complete, or ready to put in front of a regulator.

And the barrier standing in the way of fixing this is more than just technology. Insurance leaders name leadership and cultural resistance as the single biggest barrier to their AI transformation (ahead of regulatory uncertainty, legacy integration, and data quality itself).

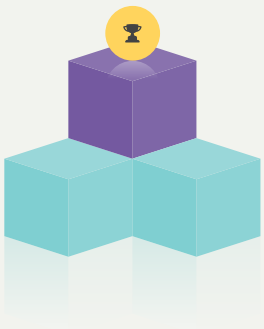
That's the opportunity hiding inside the problem: the business case for fixing data foundations by early 2027 doesn't need to be won on IT's terms. It needs board-level alignment, treated with the same urgency as the regulation driving it.

02

Where the sector stands

The numbers below reveal the paradox running through this report. Firms are making genuine progress with AI, confidence is high in their data governance, yet for most the data foundations aren't ready for what's next.

Data Governance



71%

Rated their data governance "advanced" or "leading"

84%

Run a fifth of their analytics on spreadsheets

AI

86%

Data Limiting AI

Insurance leaders say data quality or accessibility is currently limiting their ability to pursue AI or automation

23%

Transforming via AI

Describe AI as transforming their business

03

The big systemic data issue

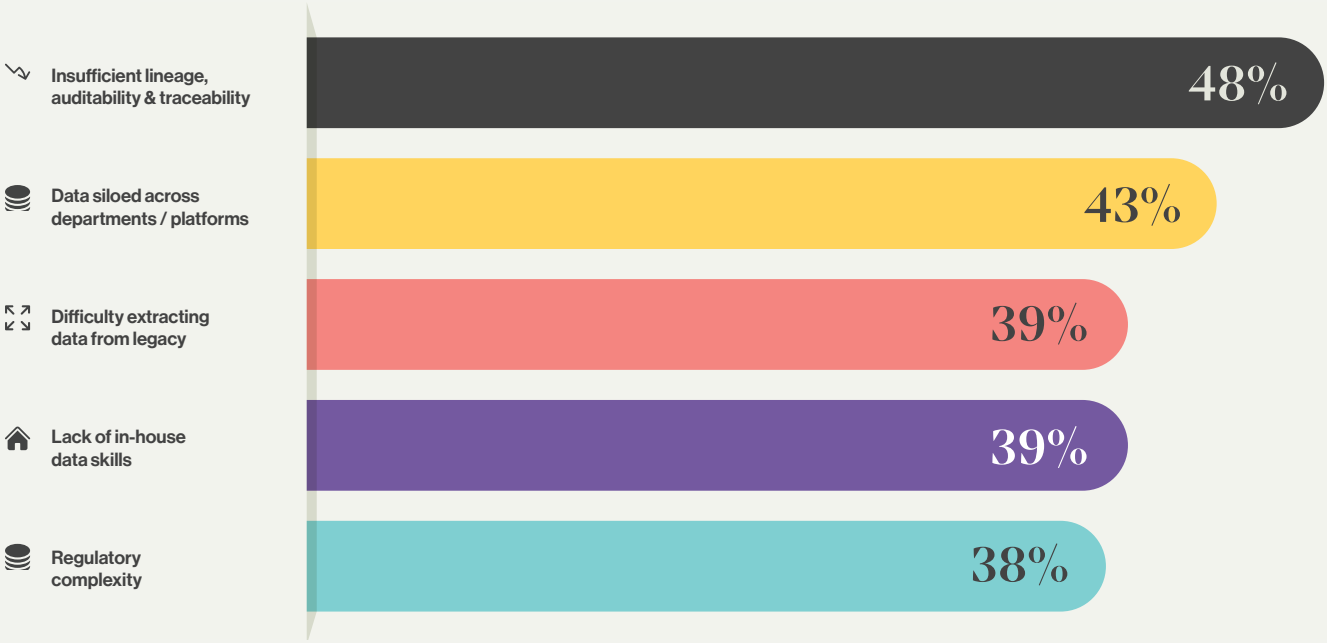
Insurers have spent years getting their data in order, and many are in analysis paralysis with no clear path forward. When it comes to the main data challenges, there's not much in it. This clustering shows that data is not failing in one place, rather it's fragile across the board.

The near-uniform distribution of these challenges suggests a systemic problem, instead of a targeted gap. No single new pipeline or database migration will fix this.

At the same time, a curious dilemma is revealing itself. The majority of leaders saying fragility is now actively limiting their ability to pursue AI and automation.

Meanwhile, AI data ingestion can also be used to capture data correctly and provide insights from back books and claims data to bridge the gap on risk analysis. There is, perhaps, a way of looking forwards without having to spend too much fixing the past.

Top 5 data challenges in UK Insurance



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Fragmented systems, unclear data ownership, and slow adoption of new technologies prevent us from turning information into actionable insights efficiently.

CIO, UK Insurance firm (501–1,000 employees)

04

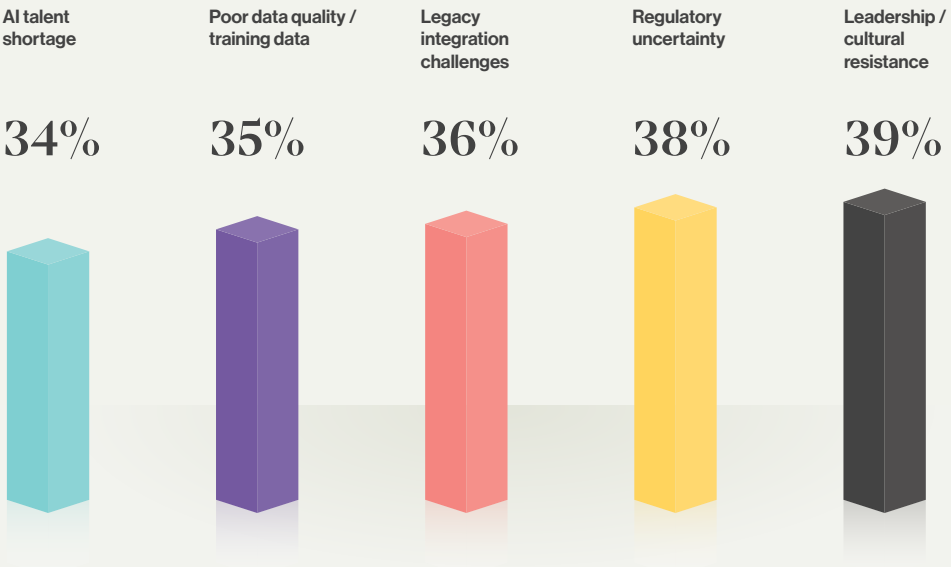
It's not just the technology any more

When insurance leaders rank the barriers to scaling AI, the technical ones drop down the list. Leadership resistance and regulatory uncertainty take the lead. The next phase of competitive advantage will be won on operating model, not architecture. This is a significant shift in the sector.

In insurance, the technology is increasingly there. Whether AI scales depends on whether the operating model around it is built to absorb it — and whether the regulator is convinced it can be done safely.

The implication is that next generation of insurance technology leadership must be skilled in change management, regulatory engagement, and executive alignment as much as in engineering.

Top 5 AI scaling barriers in UK insurance



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The resistance to change and insufficient cooperation in cross functional collaboration may pose the biggest obstacles for us.

Director of Digital Transformation, UK Insurance firm (250-500 employees)

05

A fresh opportunity to rethink modernisation

Modernisation is an ever-present headache that easily slips down the list due to complexity and all the other pressing priorities. Securing funding for infrastructure in insurance has always been difficult as it's been hard to show the impact of poor legacy systems on the bottom line.

Top 5 modernisation barriers
in UK insurance

86% of insurance firms run legacy in the core stack. And 42% say more than 20% of their core systems are legacy. The road forward is not a debate about whether to modernise — 90% rate it a high or top priority over the next 24 months.

The debate is how. 39% cite vendor or platform lock-in as a barrier to modernisation — a real concern when firms are working out their architecture and way forward — alongside regulatory inflexibility and ROI uncertainty, which stall the conversation before architecture is even the question. The firms that are breaking through are those that have found credible paths to modernise incrementally, without disrupting the business that runs on the existing stack.

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Moving from experimental pilots to enterprise scale without breaking existing client-facing services remains our toughest challenge.

Chief Digital Officer, UK Insurance firm (150–249 employees)

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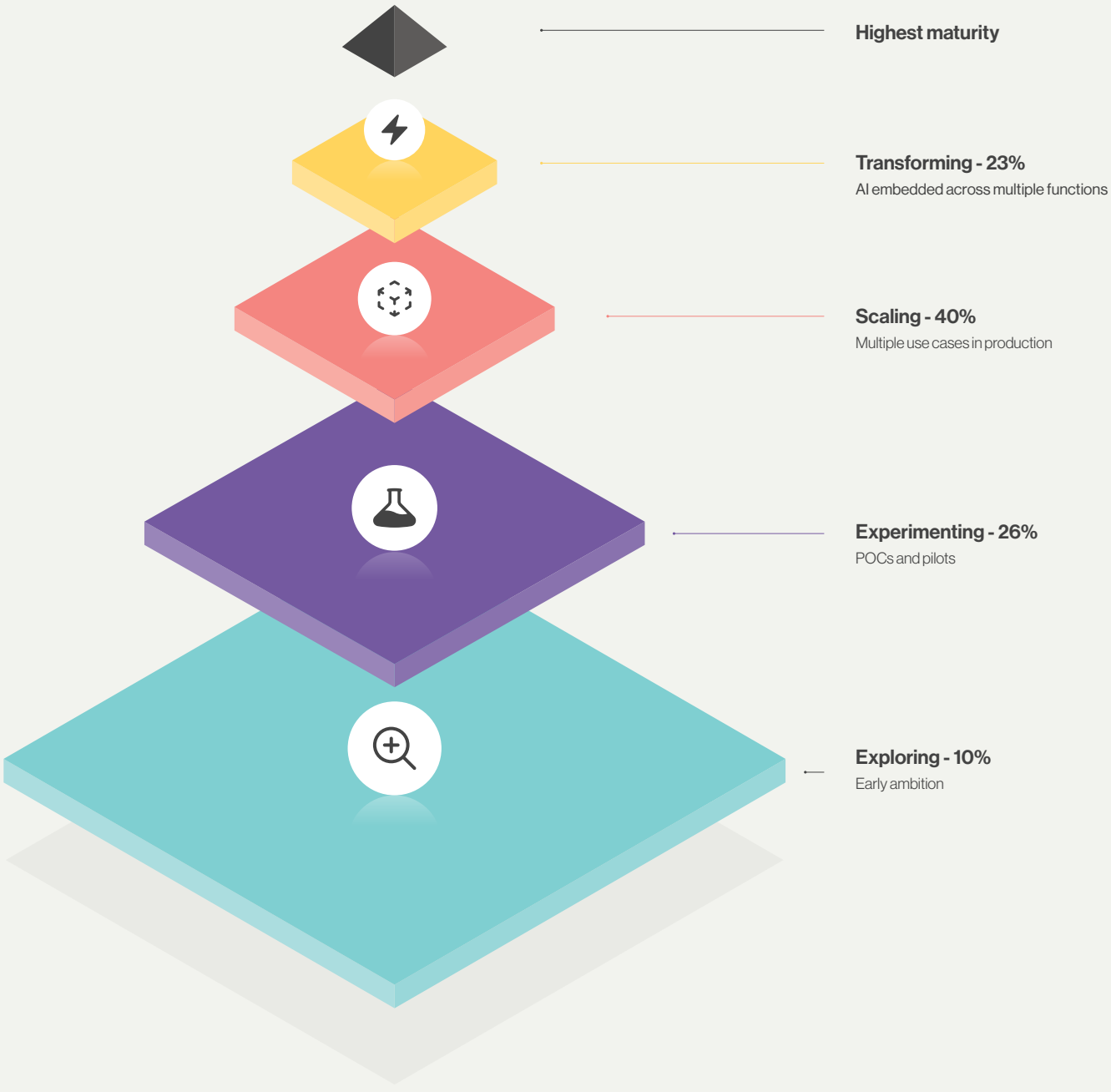
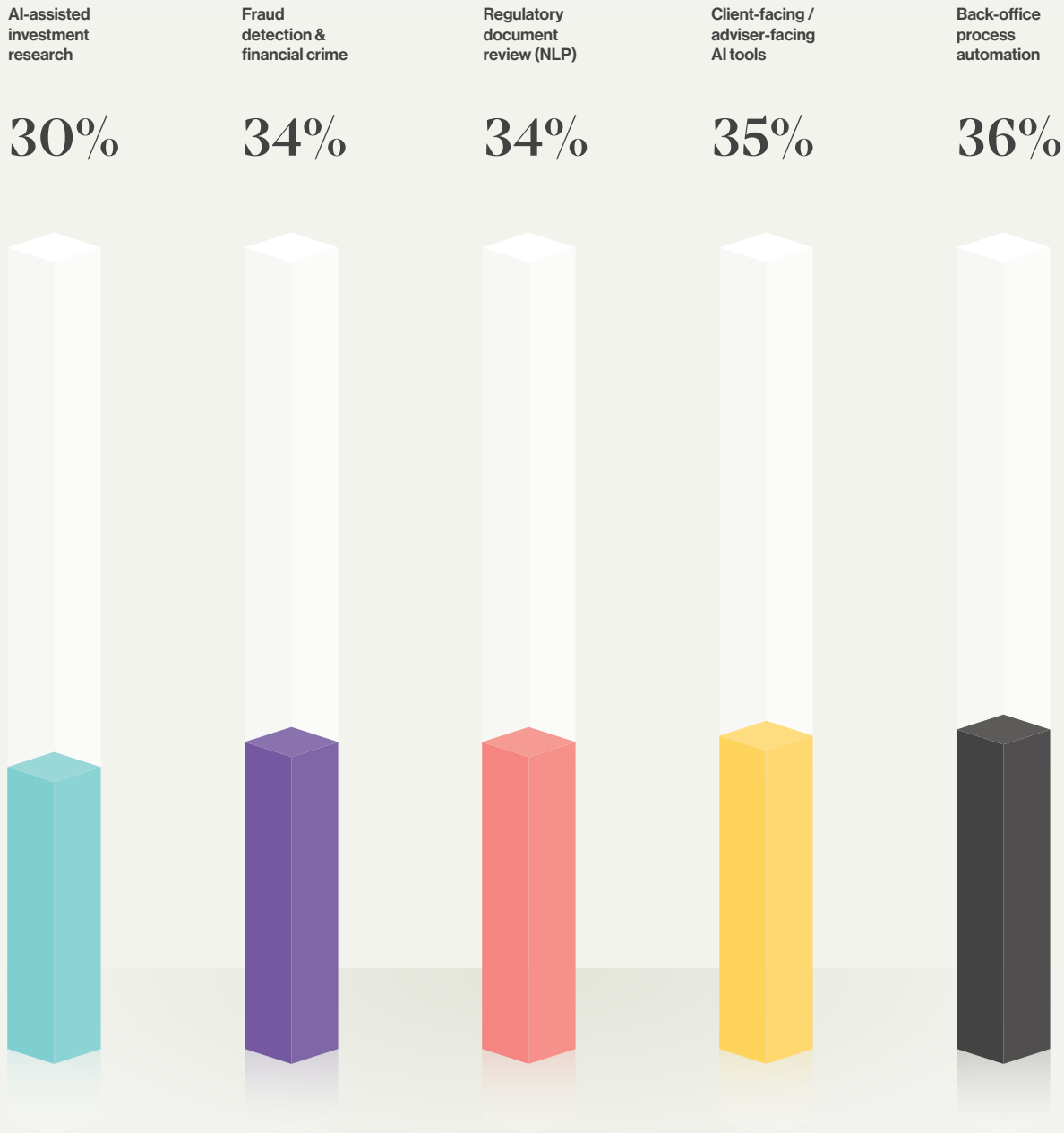
AI maturity in insurance

An encouraging 23% of firms are transforming with AI, with over half deploying AI in modelling and stress testing – a sector-signature use case where the data is already curated, regulated, and quantitatively defensible.



There are also a healthy proportion of firms scaling, suggesting they're en route to reaching more transformation goals — with back-office automation, client-facing AI tools, and regulatory document review leading the list of what they're exploring next.

Top 5 AI & Automation use cases in UK insurance



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Next steps on the AI transformation journey

Asked what would most help them realise AI value, insurance leaders name four things in equal weight — and they aren't the things that industry headlines typically suggest. The four-way tie at 40% is not a statistical curiosity. It is a signal that no single investment, capability, or hire is sufficient on its own.

The firms making real progress are funding all four simultaneously.

40%

Data foundations

Better data foundations, governance and platforms infrastructure cited as a top unlock

40%

AI engineering talent

Specialist AI engineering and modelling talent – the human layer that makes the technology work

40%

Executive sponsorship

Executive sponsorship and clearer strategic alignment across the C-suite

40%

Dedicated capacity

Dedicated transformation capacity, ringfenced from BAU operations

Before running another pilot, insurers need a more disciplined way to decide which pilots deserve to scale. The survey revealed a clear pattern: the same use cases stall for the same reasons — unclear budget ownership, no consistent way to measure impact, and no repeatable method for judging which ideas are worth backing.

Borrowing the discipline of established business-improvement methods — define the problem, test small, measure the result, and only then commit to scale — gives leaders a structured way to kill the ideas that won't work quickly, and build the evidence needed to back the ones that will. It's also where the case for outside expertise is strongest: not to run the AI itself, but to help design and run that measurement discipline.

42% favour a hybrid delivery model that combines internal teams with external specialists. Only 4% want to build entirely in-house. This appetite for partnership is itself a signal: the sector understands that the scale and pace of change required exceeds what any single organisation can staff and deliver alone.

About report

This survey was commissioned by Softwire, independent technology consultancy for large and complex organisations, in partnership with Vitreous World.

Findings based on

77
Respondents

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Senior Leaders

→

UK Insurance, Specialty Insurers, & Underwriting

→

2026
Year

This is the first in what we hope becomes an annual conversation with the sector. If any of this resonated — or you saw it differently — we'd like to hear about it.

Get in touch to discuss your AI maturity
Jen Dallas Delivery Director, Insurance

If the report has prompted questions about your own data foundations, Softwire's Data Illuminate programme is designed to help identify where the highest-value opportunities sit. And if you're weighing up a specific AI idea before committing budget to it, our AI Hack Day is built around the same test-small, measure-fast discipline discussed earlier in this report.

softwire.com/insurance

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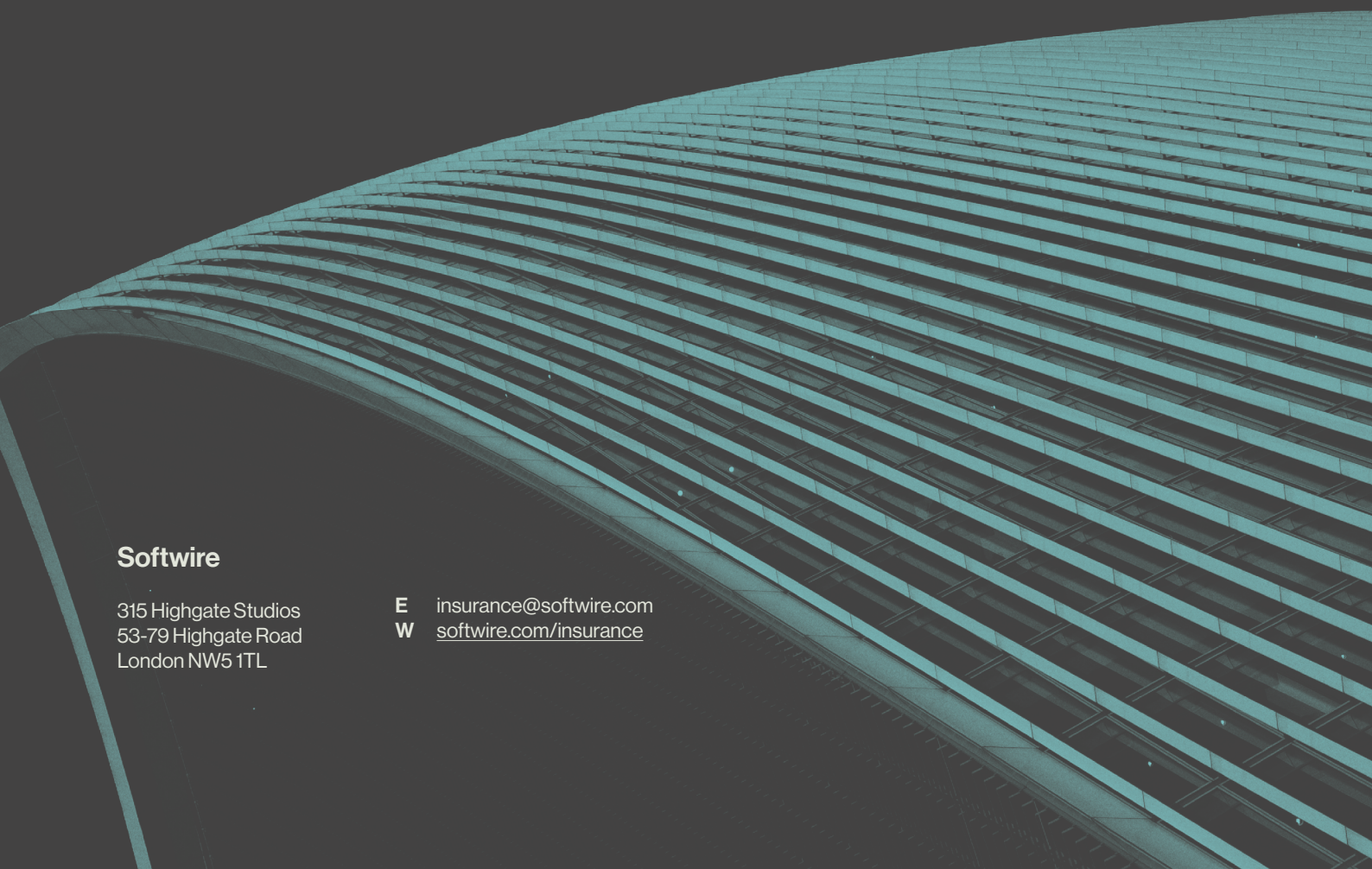

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