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Has AI got us covered?

The role of AI and new technologies in
helping insurers close the protection gap

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Thinks
Insight & Strategy

Insurtech UK

Foreword

Millions of people are unable to access the financial products and services they need to manage their money, build resilience and protect themselves against life's shocks. Financial exclusion not only limits individual lives – it also constrains productivity, deepens inequality and holds back economic growth.

At Fair4All Finance, our mission is to change this. We work to influence the system, transform markets and scale fair and affordable products so that financial services work for everyone. We believe that technology, and particularly the rapid development of artificial intelligence has a critical role to play.

Why this matters now

AI and data-driven technologies are moving rapidly from niche applications to mainstream use and decisions taken now – about how these tools are designed, governed and deployed – will shape markets and outcomes for decades to come. We are also at a critical policy juncture. Together the growth agenda, the Modern Industrial Strategy, the National Financial Inclusion Strategy, new investment through dormant assets, and increased attention to AI governance create a window of opportunity to consider how technology can support financial inclusion – and to put the right guardrails in place before harmful practices become entrenched.

Emerging research on the use of AI in job support and employment services highlights how technology can be better deployed to match people with opportunities and support better outcomes. Similar thinking is urgently needed across financial services, including insurance, where the protection gap continues to grow.

For financial services, and insurance in particular, this creates both an opportunity and a responsibility. New technologies are already transforming how products are designed, priced and delivered. The question is, whether this transformation will simply optimise existing models with their focus on prime customers, or whether it will be used to reach people who have historically been excluded altogether, delivering benefits for consumers, society and providers alike.

The purpose of this report

This report explores how new technologies – including AI, machine learning and generative tools – are currently being used within the insurance sector, and where there is untapped potential to use them more deliberately to close the protection gap. We intend for this report to start a conversation across the insurance sector about how technology can help close the protection gap and encourage the sector to reflect, share learning and explore new approaches together. We stand ready to convene the sector, turning the conversation into practical co-funded action, expanding access and closing the protection gap.

Executive Summary

Background

There are 20.3 million people in financially vulnerable circumstances in the UK – nearly half of all adults.[1] 26% of these people do not hold a single insurance product, meaning they lack protection to withstand unexpected life events, such as illness or vehicle breakdown.[2]

Nearly half (49%) of those in excluded groups say the rising cost of living affects their ability to afford insurance products, and 10% say it prevents them from taking out a policy altogether.[3] The Fair4All Finance segmentation model also suggests that this protection gap is growing, excluding more people from the insurance products they need for their peace of mind and to build financial resilience.

The protection gap means those in financially vulnerable circumstances could face further hardship and difficulty should things go wrong. Financial exclusion presents a barrier to mental and physical wellbeing, security and individuals' ability to flourish. At a societal level, addressing the root causes of exclusion, including the protection gap, could add up to £6.4 billion a year to UK GDP.[4]

The research at a glance

A recent report from Sollers describes how AI will disrupt the insurance sector through the development of new business models, allowing new market entrants and transformative new product design.[5]

We commissioned independent research agency Thinks Insight & Strategy to conduct research with key stakeholders from across the insurance and wider financial services sector to understand how this transformation could be harnessed to close the protection gap, reach new customers and meet their insurance needs, whilst also balancing the risk that adopting new technologies could result in worse outcomes for consumers in vulnerable circumstances, including unfair pricing and further exclusion.[6]

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[1] Fair4All Finance, Customer Segmentation (2025) https://fair4allfinance.org.uk/our-resources/customer-segmentation/
[2] Ibid.
[3] Fair4All Finance, Cost of living means 8.6m customers in vulnerable circumstance are struggling to afford their insurance (2023) https://fair4allfinance.org.uk/8-6m-customers-struggling-to-afford-their-insurance/
[4] https://fair4allfinance.org.uk/the-6-4-billion-growth-opportunity-it-starts-with-inclusion/
[5] Sollers, AI in Insurance: The Industry Perspective. Sollers Consulting (2025) https://www.actuarialpost.co.uk/downloads/cat_1/Sollers-ai-report-sollers-2025.pdf
[6] https://www.ft.com/content/128ee880-acdb-42fb-8bc0-ea9b71ca11a8?shareType=nongift

For the purposes of this report, new technologies can be understood as:[7]

New technologies	Definition
Artificial Intelligence (AI)	Products and services that are 'adaptable' and 'autonomous'. The adaptability of AI refers to AI systems, after being trained, often developing the ability to perform new ways of finding patterns and connections in data that are not directly envisioned by their human programmers. The autonomy of AI refers to some AI systems that can make decisions without the intent or ongoing control of a human.
Generative AI (GenAI)	An AI model that generates text, images, audio, video or other media in response to user prompts. It uses machine learning techniques to create new data that has similar characteristics to the data it was trained on. Generative AI applications include chatbots, photo and video filters, and virtual assistants.
Machine Learning	A type of AI that allows a system to learn and improve from examples without all its instructions being explicitly programmed but by finding patterns in training datasets. Typically applied to new data to make predictions, translating text or training machine systems for specific applications.
Agentic AI	Agentic AI is a next generation technology that is more autonomous, proactive and focussed on decision making and taking action over creating content or advising on a course of action.

New technologies have the potential to support organisations in many sectors to reach and support new customers. At the outset of this research, we hypothesised that there is significant untapped potential for this in the insurance sector and that while the sector can be creative, this has not yet been directed towards closing the protection gap for people in financially vulnerable circumstances.

As a result, the sector may be missing a valuable opportunity to reach and engage new customers. This opportunity is especially relevant now following publication of the Financial Inclusion Strategy[8] and as the UK Government increases investment in AI through its Modern Industrial Strategy.[9]

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[7] As defined in: UK Parliament POST (2024) *Artificial intelligence glossary*, POST resource, 23 January 2024, UK Parliamentary Office of Science & Technology.

[8] https://assets.publishing.service.gov.uk/media/6909ed8db04a520c5051843f/Financial_Inclusion_Report.pdf

[9] UK Government, Modern Industrial Strategy (2025) www.gov.uk/government/collections/the-uks-modern-industrial-strategy-2025

Findings

Structural issues and the protection gap

With 26% of people in financially vulnerable circumstances not holding a single insurance product,[10] the Government's Financial Inclusion Strategy has placed the protection gap at the centre of the national debate, and the industry has signalled strong intent to help close it in response. [11][12][13]

However, there are long-standing challenges that limit the industry's reach to excluded groups, including:

- Understanding gap between customers and insurers: limited insight into excluded groups' needs, priorities, and ability to pay restricts product development

- Perceived low commercial incentive: excluded groups are viewed as higher risk with lower ability to afford premiums and being less likely to purchase insurance products. These perceptions reduce appetite to invest in tailored solutions

- Perceived unattractive market dynamics: insurers rely on collectivism to underpin their commercial models. Excluded groups and the financially vulnerable are often fragmented, with less association to employers or large bodies, meaning they could benefit from a connected distribution model or a product priced on shared risk. There is both an access and economic disincentive to reaching these excluded cohorts

- Standardised distribution models: price comparison sites are designed for customers with predictable risk profiles. They work less well for non-standard customers and those in financially vulnerable circumstances[14]

> 'We need to rethink every element of the business model and the solution [this] requires [...] a fresh mind and [...] different [...] structure[s] for [us] to be able to succeed.'

The aim of this research is to investigate the role of AI and new technologies in addressing these challenges and closing the protection gap. We hope this ignites an industry-wide conversation that stimulates understanding of customer need, explores new commercial models and drives innovation to better support excluded groups.

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[10] Fair4All Finance, Customer Segmentation (2025) https://fair4allfinance.org.uk/our-resources/customer-segmentation/

[11] UK Government, Financial Inclusion Strategy (2025) https://www.gov.uk/government/publications/financial-inclusion-strategy/financial-inclusion-strategy

[12] https://www.abi.org.uk/news/news-articles/2025/11/abi-welcomes-the-governments-financial-inclusion-strategy/

[13] https://www.biba.org.uk/press-releases/total-signposting-introduced-in-government-strategy-to-help-improve-financial-inclusion/

[14] 34% of consumers use a price comparison site to purchase general insurance (Mintel General Insurance Report 2023) versus 14% of people in financially vulnerable circumstances (Fair4All Finance Segmentation Model 2024)

Key finding 1: New technologies are being used and can help excluded groups but closing the protection gap will require the sector to go further

95% of insurance firms are already adopting AI, which is higher than other sectors (74% in the utilities sector, and 42% in the retail sector).[15] AI adoption is already materially improving consumer experience, driving efficiency, and simplifying customer journeys; all of which can benefit people in excluded groups, if deployed sensitively and with the needs of vulnerable groups in mind.[16] But, the sector could further investigate how to enable new product development and service models which meaningfully attempt to close the protection gap.

Key finding 2: New technologies alone cannot close the protection gap

Although new technologies can accelerate solutions, they cannot always replace factors like human-centred design and collaboration, and they cannot create institutional will. To ensure new technologies are as inclusive as possible, we still need to see significant work across these areas, in addition to improving understanding of the protection gap amongst both insurers and excluded people.

In a regulated industry it is also vital that all companies feel comfortable in leveraging new technologies and creating commercially viable propositions. There could be more practical clarity on the application of existing rules for the use of AI in financial services.

Key finding 3: There is significant untapped potential to harness new technologies as part of a holistic effort to close the protection gap

While adoption of new technologies is widespread, their current use is often fragmented, incremental, or confined to operational efficiencies rather than being deployed strategically to address the protection gap. More than 8 million people in the UK do not hold a single insurance or protection product and there is a significant commercial opportunity to leverage new technologies, make better use of data, engage these excluded groups and design insurance solutions that are attractive and meet their needs.[17]

We hope this research ignites an industry-wide conversation that stimulates understanding of customer need, explores new commercial models and drives innovation to better support excluded groups.

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[15] Bank of England & Financial Conduct Authority, Artificial intelligence in UK financial services (2024)
https://www.bankofengland.co.uk/report/2024/artificial-intelligence-in-uk-financial-services-2024
[16] See chapter 5 for the full details about the different applications of AI in insurance.
[17] Financial Conduct Authority, Financial Lives Survey (2024) https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf

The growing protection gap and the challenge of addressing it

The protection gap

The protection gap arises when demand for access to affordable, suitable solutions is not matched by industry's capability to develop, distribute, and effectively communicate them. This leaves certain consumer groups excluded and underserved. Access to appropriate insurance cover is vital for excluded groups, because they often lack financial resilience and savings to cope with unforeseen events. Without insurance, unexpected shocks like illness, job loss or property damage can cause real financial difficulty.

The Financial Conduct Authority (FCA) Financial Lives survey found that customers are foregoing or reducing their protection due to affordability:

*   16% of UK adults do not hold any general insurance products[18]

*   In the 12 months leading up to May 2024, approximately 6.7 million UK adults either cancelled, reduced cover, or chose not to purchase insurance to save money or due to affordability issues[19]

*   In the 2 years leading up to May 2024, 2.7 million people avoided applying for insurance as they thought they were ineligible or couldn't afford it[20]

The same survey also found those on lower incomes, and those in deprived areas, were more likely to be refused general insurance products by providers.[21] In this context, it's unsurprising that closing the protection gap is a priority set out in the UK Government's Financial Inclusion Strategy 2025.[22]

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[18] Financial Conduct Authority, Financial Lives Survey (2024) https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf
[19] Ibid.
[20] Ibid.
[21] Ibid.
[22] UK Government, Financial Inclusion Strategy (2025) https://www.gov.uk/government/publications/financial-inclusion-strategy/financial-inclusion-strategy

There is positive intent to close the protection gap, but there are also significant challenges

The insurance industry is aware of the growing protection gap and appears ready to act, where there is a clear commercial incentive. Industry led work to embed inclusion and improve diversity, equity and inclusion (DEI) across the industry is an example of this intent.[23] [24]

However, while the range of stakeholders we spoke to for this report recognised the existence of a protection gap, they emphasised the challenges faced by industry in meeting the needs of people in financially vulnerable circumstances over the needs of excluded groups themselves.

Furthermore, there are serious concerns that the adoption of new technologies could result in worse outcomes for consumers in vulnerable circumstances, and that they may be subject to unfair pricing and further exclusion.[25] This could manifest in various ways including algorithmic bias and even potential discrimination, if systemic errors in underlying assumptions exacerbate socio-economic biases or lead to decisioning based on protected characteristics.[26] Within risk-based pricing, for example, a simple misinterpretation of data could result in incorrect assessments of a customer's situation leading to increased pricing or market exclusion.[27] There is also a possibility that the use of new technologies by insurers could put up additional access barriers for consumers already facing digital exclusion.[28]

> 'AI is a good thing, [but we] have to be careful [to not] cause poorer outcomes for customers [and] ensure [that AI is] making things better for everybody and not worse for some people.'

Interviews with the insurance industry reveal structural and cultural challenges that are contributing to slow progress in closing the protection gap despite positive intent. These challenges exist against a background of competing industry priorities. The Consumer Duty pushes firms to focus on delivering demonstrably good outcomes for existing customers, whilst Solvency II demands that insurers hold substantial capital reserves to protect against financial risk. There is a perceived lack of legislative or regulatory pressure to drive innovation or inclusive product design. In this context, making financial inclusion a priority may simply feel less urgent.

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[23] ABI, Financial Inclusion Strategy (2024) https://www.abi.org.uk/globalassets/files/publications/public/abi/financial-inclusion-strategy.pdf.   We note the ABI was the first trade body to publish a Financial Inclusion Strategy.

[24] ABI, Diversity, Equity and Inclusion Blueprint (2022) https://www.abi.org.uk/globalassets/files/publications/public/diversity/abi-dei-blueprint.pdf

[25] https://www.ft.com/content/128ee880-acdb-42fb-8bc0-ea9b71ca11a8?shareType=nongift

[26] https://www.ibm.com/think/topics/algorithmic-bias

[27] https://www.fairerfinance.com/insights/blog/ai-and-fairness-in-insurance

28 https://www.goodthingsfoundation.org/discover/our-news/our-news-2025/good-things-foundation-ai-confidence-gap-research#:~:text=UK%20adults%20less%20confident%20going,over%20the%20past%20twelve%20months

The key challenges to closing the protection gap with new technology identified by industry stakeholders

Challenge	Issue	Definition
Challenge 1: **Understanding the gap**	Perceived lack of appetite from consumers	Some insurers view awareness and understanding among those in excluded groups as low. We heard that there may be a lack of demand for insurance products from those in excluded groups and that targeted education or information about the benefits of insurance products could help address this. We also heard the view that premiums must be very low for excluded groups to be able to afford them, due to a perceived disparity between premiums paid and potential claims. As such, higher risk consumers need to pay higher premiums – affecting affordability. It is worth noting that the lack of appetite may be driven by low levels of trust rather than financial capability or poor consumer understanding. The FCA report that 66% of consumers have low trust in the insurance sector. [29]
	Focus of the sector	To date, there is a sense that insurers have focused on serving existing customers well, including those with vulnerabilities, rather than focusing on financial inclusion and people currently excluded from protection. Insurers often don't understand enough about the needs of excluded groups to consider, adapt or design new products that they may want or need.
Challenge 2: **Low financial incentive**	Additional risk	Concerns about customers making fraudulent claims, being unable to pay and higher(er) claim rates lead some insurers to perceive that serving people in excluded groups is higher risk and less profitable. Existing business models and customer bases work well for insurers. We heard concerns that the impact of reaching excluded groups could mean insurers face financial losses, find it harder to get reinsurance, need to hold a higher proportion of reserves and capital and face greater scrutiny from regulators. All of which

[29] https://www.fca.org.uk/news/speeches/insurance-round-innovation-growth-and-trust

		discourages investment and innovation.
	Regulation is not driving change	The regulatory environment is cited as a challenge to innovation. For example, both Consumer Duty[30] and General Insurance Pricing Practices (GIPP)[31] focus on existing customers (rather than reaching excluded groups). Support for industry to develop products to reach excluded groups is available via FCA Innovation Pathways, however this route has been underused by the sector. In their 2026 report Artificial Intelligence in Financial Services[32] the Treasury Select Committee identified that the adoption of new technologies could benefit consumers but that more needed to be done by regulatory and legislative bodies to manage the associated risk.
	First mover risk	Investing time developing products for excluded groups is perceived to hold limited first mover advantage. Dormant assets funding and support from Fair4All Finance could mitigate this risk and enable providers to experiment more.
Challenge 3: **Standardisation embedded in distribution channels**	Traditional distribution models are standardised	The typical customer journey is designed to cater for standard consumers, which makes products less accessible or affordable for those with alternative circumstances such as a pre-existing medical condition, a poor credit history or a variable income.
	Most consumers find insurance products through aggregator websites	Price comparison sites and insurers use standard sets of questions to reach consumers. Whilst this can help consumers compare products on a like for like basis, it also reduces the incentive for insurers to create innovative solutions that could ultimately reach riskier consumers, including those in excluded groups, thereby reinforcing the status quo.

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[30] Financial Conduct Authority, Consumer Duty (2025) https://www.fca.org.uk/firms/consumer-duty

[31] Financial Conduct Authority, Evaluation Paper 25/2L Our general insurance pricing practices (GIPP) remedies (2025) https://www.fca.org.uk/publications/corporate-documents/evaluation-paper-25-2-general-insurance-pricing-practices-remedies

[32] TSC, AI in Financial Services (2026) https://committees.parliament.uk/publications/51128/documents/283671/default/

Innovation and deployment of new technologies

The insurance sector is innovating and using new technologies to improve process and customer experience

The UK is home to the world's fastest-growing pool of insurtech companies, with the number of insurtechs increasing since 2022, and the highest number of insurtechs per capita among major economies. Since 2019 the UK has attracted the second largest share of funding in the world after the United States. [33]

> 'The UK's insurtech ecosystem is constantly innovating, using the latest technological developments to improve existing insurance practices and processes, and to cover new types of risks or underwrite risks in different ways. Combining insurance expertise and technological innovation has further potential still to fuel an exciting array of novel products and services, supporting customers in a more tailored and impactful manner.'
>
> Melissa Collett, CEO Insurtech UK

In 2024, the Bank of England and Financial Conduct Authority surveyed financial firms about their use of AI and machine learning. The report found that the insurance sector had the highest percentage of firms currently using AI, at 95%, closely followed by international banks at 94%.[34] This is compared with roughly 74% of the utilities sector, and 42% of the retail sector.[35,36]

These figures originate from distinct studies and may reflect differing measurement approaches, but they nonetheless provide a clear indication that financial services, and specifically insurance, are

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[33] McKinsey & Company, "The UK insurtech landscape: Strong, shifting, collaborative" (19 September 2025)

[34] Bank of England & Financial Conduct Authority, Artificial intelligence in UK financial services (2024) https://www.bankofengland.co.uk/report/2024/artificial-intelligence-in-uk-financial-services-2024

[35] IBM Newsroom, New IBM study data reveals 74% of energy & utility companies surveyed embracing AI (2024) https://newsroom.ibm.com/2024-02-26-New-IBM-Study-Data-Reveals-74-of-Energy-Utility-Companies-Surveyed-Embracing-AI

[36] NVIDIA Corporation, State of AI in Retail and CPG (2024) https://www.nvidia.com/en-gb/lp/industries/state-of-ai-in-retail-and-cpg/

materially more advanced in their adoption of AI than many other sectors.

The opportunity was also identified in evidence presented to the Treasury Select Committee in 2025 where industry representatives outlined the potential for AI to meaningfully improve financial inclusion, particularly for vulnerable customers.[37]

New technology deployment is already benefiting existing customers

Notwithstanding the risks of algorithmic biases, stakeholders interviewed corroborate the large-scale adoption of new technologies, describing benefits to consumers in (a) how they are using these technologies themselves or (b) how others in the sector are deploying them:

> 'There is a lot of innovation happening in insurance and a lot of it is being driven by new technology.'

At the pre-sale stage, AI and GenAI are used for market scanning and competition monitoring so that firms can stay on top of the latest trends, keep competitive and free up staff time for other activities. GenAI is also being used to develop marketing materials, building efficiency and reducing the cost of the sales process.

> 'We have marketing budgets which may be targeted at higher premium, higher ticket customers and that's who gets the marketing budget. Inclusive insurance may be seen as lower ticket, lower premium and less of a target. But with AI marketing tools, things are much quicker. And it's helping design the right visuals in a very quick way and reducing the time needed to market to this group.'

In the application and sales process, machine learning and AI is used to create efficiencies in the sign-up process and reduce friction in the customer journey by, for example, automatically filling in fields. This reduces the number of fields and questions required. AI is also being deployed to create more personalised customer services through GenAI supported conversations with chatbots.

> 'Use cases [are] increasingly [showing] better mapping of the market at the acquisition point. Using data specifically to identify groups [that] they are not currently reaching more effectively.'

For pricing, insurers are using the Internet of Things to collate live data which influences calculations of risk and therefore pricing.

> 'You can use technologies now to do pricing, to do actuarial work, and this really saves on costs.'

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[37] UK Parliament Treasury Committee, Oral evidence: AI in financial services
(2025) https://committees.parliament.uk/oralevidence/15845/pdf/

During the claims process, technology (including AI and the Internet of Things) is being used to create efficiencies in the claims process to analyse claims documents quickly.

> '[New] technologies are really transforming how insurance companies can improve their operations and customer experience from a speed of policy issuance and speed of decision upfront as well as claim assessments and claim processing.'

Some specific examples raised during the stakeholder interviews included:

Machine learning and AI are being adopted to price straightforward products and reduce actuarial burden with a focus on cost reduction. The potential exists to use this as a foundation for new product development for excluded groups and to reimagine how risk is calculated to close the protection gap. However, the use of AI or machine learning in these areas must be done with caution and with appropriate supervision to prevent bias in the models that may perpetuate exclusion or increase prices to vulnerable or already excluded groups.

Big data sources are being used to replace or supplement credit scoring in the assessment of affordability and risk. This potentially allows insurers to offer protection to a broader range of customers, including those with thinner credit records. In doing so, more accurate and sophisticated pictures of risk and affordability can be built.[38]

Whilst the underlying commercial model is unclear, **GenAI tools including ChatGPT are now being used to provide users with home insurance quotes** directly within the chat which has the potential to disrupt traditional distribution models.[39]

Current technology deployment is already supporting those in excluded groups

While most existing use cases are not specifically designed to overcome the protection gap or support excluded groups, they do have broad application with positive impacts on efficiency and customer centricity.

Stakeholders provided examples of how technology deployment is supporting people in excluded groups, even when this was not the original or primary purpose of the innovation:

Using a broad range of technologies to increase efficiencies and reduce costs which can be passed onto the consumer, and make for cheaper products, potentially also benefitting excluded groups.

Using new technologies to speed up insurance applications, reducing friction for everyone, including

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[38] Plend Limited, Credit scoring – the old, the broken, and why the future is open (n.d.) https://plend.co.uk/blog/credit-scoring-the-old-the-broken-and-why-the-future-is-open/
[39] https://www.postonline.co.uk/technology/7959806/chatgpt-users-can-now-get-home-insurance-quotes-in-chat

those in excluded groups who may face other barriers to applications.

Using a combination of technologies for streamlined customer services and new product development. For example, in the UK, motor insurance is being offered on an hourly / on-demand basis that reduces upfront costs with flexible cover more appropriate for gig-economy workers who can pay only for what they need, when they are working. [40]

New technologies have the potential to better support excluded groups

Further to the above, participants in the research described new technologies that were being deployed by the industry that may have a broader application and so benefit excluded groups.

Using AI enabled digital marketing to better reach a broader range of people. Previously, marketing budgets focused on the perceived highest value or highest premium customers. AI enabled marketing reduces costs allowing firms to engage with customers who may be seen as less profitable, providing potential to raise awareness amongst excluded groups about a range of potentially suitable products.

Using open banking to deepen understanding of individual risk profiles and build detailed understanding of risk profiles for many customers, which may include those in excluded groups**.** People in excluded groups may previously have been considered too risky in the absence of detailed data, resulting in higher product pricing. But new technologies, data sources and profiling could allow for more accurate pricing for excluded groups.

Using new technologies to offer more tailored policies, specific to individual needs including the needs of those in excluded groups.

Parametric insurance pays out pre-agreed amounts based on a trigger event. It has been used in disaster insurance, paying out set amounts if there is an earthquake, or at a particular wind speed, without the need for a damage assessment. This model lends itself to transparency and quick payment of claims. Premiums can be high and the payout may not meet the full value of the loss, but the product logic could be applied to general insurance and other propositions aimed at under-protected communities.

Using parametric insurance to bring down premiums from the outset, increasing affordability. For example, pay-per-mile insurance models use telematics devices, whilst Gallagher Re reports that AI-enabled analysis of driving behaviour can offer lower premiums, sometimes determining whether high-risk groups can gain coverage at all. [41]

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[40] Cuvva, Cuvva Insurance (n.d.) https://www.cuvva.com/
[41] Gallagher Re, Global InsurTech Report: Q1 2025 – Auto & Motor (2025) https://www.ajg.com/gallagherre/-/media/files/gallagher/gallagherre/news-and-insights/2025/may/global-insurtech-report-1-2025-auto-motor.pdf

New technologies could be further harnessed to meet the needs of excluded groups

Notwithstanding that these new technologies should be adopted in a way that does not perpetuate or generate new biases or increase accessibility issues, this table outlines which new technologies could be deployed to meet the following objectives:

Challenge	Example opportunity	AI	GenAI	Machine learning	Other (incl. Agentic AI)
Challenge 1: Understanding the gap	Understanding demand to match customers with the best solutions which meet their needs, including excluded groups.	✓	✓	✓	✓
	Using parametric insurance to bring down premiums from the outset, increasing affordability.				✓
	Using AI-enabled digital marketing to better reach a broader range of people.	✓	✓		✓
Challenge 2: Low financial incentive	Using a broad range of technologies to increase efficiencies and reduce costs which can be passed onto the consumer.	✓	✓	✓	✓
	Big data sources used to better assess affordability and risk			✓	✓
	Using new technologies to detect fraud or anomalous results.	✓		✓	
	Using open banking to deepen understanding of individual risk profiles and build detailed understanding of risk profiles.			✓	✓
	Reducing the actuarial burden by pricing straightforward products with a focus on cost reduction. The potential exists to use this as a foundation for new product development.	✓		✓	
Challenge 3: Standardisation embedded in distribution channels	Using new technologies to speed up insurance applications reducing friction for everyone, including excluded groups.	✓	✓	✓	✓
	Using parametric insurance and the Internet of Things to assess when an event has occurred (eg a flood), bypassing the claims process to give immediate payouts during crises.				✓

Challenges and looking to the future

Investment in new technologies is not currently focussed on closing the protection gap

Using new technologies to create new product offerings, and reach new customers, does not appear to be a priority for stakeholders.

The recent report from Sollers describes how AI will have the most disruptive impact through the development of new business models, allowing market entrants and through transformative new products. However, the report also echoes our findings that the current industry focus is on the shorter term benefit of improving claims handling, back office efficiency and improvements in customer experience.[42] McKinsey explored investment in the insurtech sector and supported these findings, showing that insurtechs are typically focussed on costs and operational metrics as opposed to product and customer metrics.[43]

This suggests that there is an exciting, untapped opportunity to utilise new technologies to address the widening gap in protection for those who are currently excluded or underserved by the industry. But this will require changes in culture and for economic and regulatory barriers to be identified, understood and addressed.

Challenges facing insurers when looking to close the protection gap with new technologies

Whilst there is strategic intent to use new technologies to better support those in excluded groups, stakeholders are also realistic about the current limitations.

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[42] Sollers, AI in Insurance: The Industry Perspective. Sollers Consulting (2025)
https://www.actuarialpost.co.uk/downloads/cat_1/Sollers-ai-report-sollers-2025.pdf
[43] McKinsey & Company, "The UK insurtech landscape: Strong, shifting, collaborative" (19 September 2025)

Major barriers exist that impact the adoption of new technologies and solutions to close the protection gap, including:

Financial considerations. Meaningful technological transformation requires substantial upfront investment, which can be difficult to justify when existing models serve mainstream customers so effectively. Furthermore, people in excluded groups are viewed as higher risk and less profitable than standard customers, which reduces the perceived financial incentive to serve this audience.

Perceived lack of demand. Some insurers think excluded groups don't know about or demand products, citing a need for financial education for customers and insurers. Moreover, insurers don't always know what solutions excluded groups want. Prevailing business models rely on collectivism of risk which incentivises insurers to focus on prime customer groups, rather than the underserved. This can be addressed through better engagement and coproduction with underserved groups.

Regulatory concerns. There is a common perception that regulation does not currently support experimentation and the regulatory uncertainty for firms potentially increases risks to consumers.[44] The Bank of England emphasised the need to create the regulatory space for insurers to ignite new initiatives and build on past successes.[45]

Standardisation embedded in distribution models. Current distribution models including aggregator websites favour standard customers, so other means of distribution, including new comparison sites catering for underserved populations, better signposting and cross sector partnerships would need to be considered and could be underpinned by new technology.

Data concerns. Stakeholders question the reliability and potential bias of external datasets, especially for AI tools trained on data that may not represent underserved groups. Data that is not properly understood, and tools that are not trained on accurate or appropriate data for the cohort in question, can result in incorrect risk profiling of that cohort. This could lead to potential issues for insurers and customers, including the unwelcome potential for unwarranted discrimination against certain customer groups.

Unintentionally exacerbating the protection gap. More granular data can improve risk assessment, but if algorithms reinforce existing inequalities, people in excluded groups may be priced out of cover. The Social Market Foundation[46] warns that whilst smart data could boost the UK economy by £30bn, lower-income families could be £217 worse off each year without proper safeguards.

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[44] TSC, AI in Financial Services (2026) https://committees.parliament.uk/publications/51128/documents/283671/default/

[45] Bank of England, *Lighting the fuse for innovation in insurance – speech at Insurance Innovators Summit 2025*. (2025) https://www.bankofengland.co.uk/speech/2025/november/shoib-khan-speech-at-marketforcelive-insurance...

[46] Social Market Foundation. Smart data and low-income consumers. Retrieved from https://www.smf.co.uk/publications/smart-data-low-income-consumers/

Conclusions and recommendations

Reflections and conclusions

New technologies are already reshaping the insurance sector, with most investment focused on efficiency and cost reduction. These improvements are delivering benefits for existing customers, including those in vulnerable circumstances. However, excluded groups remain outside the core focus of product and process innovation, including the deployment of new technologies.

Technology alone will not close the protection gap. It can support progress if it is paired with the right policy environment, an open culture, and business processes that prioritise inclusion, but real change will come when firms combine technological capability with a commitment to reaching new markets and designing new solutions for people who have historically been underserved.

New technologies and ways of working can be an enabler for systems change

Improving access to insurance for those in excluded groups calls for organisational, cultural, and policy change, with new technologies helping to drive it. Opportunities include:

Helping potential customers in excluded groups and insurers understand each other: Meaning more research and direct engagement between insurers and people or groups with lived experience of financial exclusion to build a better understanding of customer need, validate product design, and co-create solutions. Identify ways to build trust in insurers, simplify products and messaging and use events, intermediaries and new channels to engage excluded groups and improve financial capability and understanding of product value.

New ways of working to find commercial propositions: To find commercially viable ways to serve excluded populations, insurers may need to rethink their business models, requiring new ways of working. New technologies could support transformation management, staff training, and embedding a user-centric mindset.

Rethinking premiums, payments and risk pooling: The sector is already developing and trialling new models, such as parametric and micro insurance and there is significant commercial opportunity if new, currently excluded markets can be unlocked. There are international use cases of where technology is enabling new approaches to risk, vouchers schemes, social tariffs, or pay as you go models that help to

reduce poverty premiums or reducing exclusion.

User-centric product design: AI rapid prototyping will enable more iterative, user-centric design approaches to product development, to help firms to produce products which are more attractive to people in excluded groups.

Policy, regulatory, and system support for new technologies: Dormant assets funding, regulatory sandboxes, AI governance frameworks, and policy interventions can enable safe experimentation with low-cost and flexible insurance models. This allows inclusive products to scale whilst maintaining consumer protection. For example, Brazil's Susep sandboxes[47] have allowed startups to scale flexible on-demand coverage for underserved populations. Brazil is also launching the world's first AI-specific insurance sandbox[48], enabling fair, controlled use of AI for risk assessment and fraud detection.

Recommendations to industry

Lead a proactive effort to close the protection gap. Insurers should continue to position themselves as active agents of financial inclusion and have an industry wide conversation about how new technology can be deployed to meaningfully close the protection gap.

Promote shared understanding to spark new ideas and opportunities. This research identifies a gap in understanding between insurance firms and the needs of those in excluded groups. Industry could benefit from research that shows the lived experience of excluded groups to spark innovative product ideas from a better understanding of the needs, behaviours, and barriers of people who fall into the protection gap. Equally, those in excluded groups need to understand how insurance can protect them. Empathetic, well designed engagement efforts could help the sector to more effectively tap into the potential market.

Leverage FCA innovation pathways to test AI-enabled approaches. Firms can make strategic use of regulatory mechanisms such as the FCA's Innovation Hub and TechSprint support to test new solutions arising from AI and GenAI, with real-world feedback loops. More can be done to address regulatory angst in insurance, there's more the FCA can do to promote its mission to support growth and innovation. This might include drawing on best practice from international sandbox programmes focused on AI, to be seen explicitly supporting greater experimentation and learning whilst balancing consumer protections.

Our hope is that the insights in this report spark a serious, sector-wide conversation about the protection gap. The conversation should be one that builds shared understanding, encourages new commercial thinking, and drives innovation that uses new technologies not just for efficiency, but also for inclusion.

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[47] Demarest Advogados, SUSEP launches third edition of regulatory sandbox with focus on sustainability and technological innovation (2024) https://www.demarest.com.br/en/susep-launches-third-edition-of-regulatory-sandbox-with-focus-on-sustainability-and-technological-innovation/

[48] University of Ljubljana: Jožef Stefan Institute, Brazil's First AI Regulatory Sandbox: Towards Responsible Innovation (2024) https://aile3.ijs.si/dunja/SiKDD2025/Papers/IS2024_-_SIKDD_2025_paper_13.pdf

Appendix

About Fair4All Finance

Fair4All Finance is a not-for-profit organisation working to boost financial inclusion. Part of this mission involves closing the protection gap and reducing levels of under-insurance amongst people in financially vulnerable circumstances.

About Insurtech UK

Insurtech UK are the trade association exclusively dedicated to insurtechs with a mission to transform the insurance industry through technology and make the UK a global leader in insurance innovation.

About Thinks Insight & Strategy

Thinks is a global insight and strategy consultancy, combining pioneering research skills with outstanding thinking to help clients make better decisions, drive positive behaviour, communicate more persuasively, and engage more effectively.

Methods and research objectives

Fair4All Finance commissioned independent insight agency Thinks Insight & Strategy to conduct a Rapid Evidence Assessment of secondary evidence exploring the subject of new technology and its role in financial inclusion in the insurance sector alongside primary research with a limited sample of key stakeholders from across financial services with a focus on the insurance sector. The research explored the following questions:

- How does the insurance sector use new technologies, and what drives or prohibits adoption?

- How are new technologies being used to support excluded groups and can the sector use new technologies to better reach these groups?

- What can the insurance sector learn from other markets? Or sectors?

Stakeholder / Organisation type	Sample size
Insurance	6
Insurtech	3
Wider Financial Services including fintech	5
Academia (Insurance)	1