



PART ONE

The Broker of the Future

The Market Transformation

How AI is rewriting the economics of insurance distribution

PART 1: The Market Transformation

What's actually happening with AI, carriers, and the broker's seat at the table

EXECUTIVE SUMMARY

Will AI Replace the Broker?

Every carrier and broker executive has fielded some version of this question in the past year, from a board member, a producer, or a client. Zywave commissioned an in-depth study of the U.S. insurance distribution market to answer it with evidence instead of opinion.

The short answer is no. The longer answer is more interesting: the job, the economics, and the technology underneath distribution are all changing fast, and the carriers and brokers who move first will come out ahead.

Insurance is sold, not bought. It asks people to make a high-consequence decision about something they'd rather not think about at all. That's why the durable skill in this industry has never been paperwork, it's reading the gap between what a client says they need and what they're really exposed to, then closing it. AI sharpens that judgment; it doesn't replace it. That holds whether

the seat in question sells personal auto, a mid-market commercial account, or a self-funded benefits plan. The products differ, but the forces reshaping all three are the same.

This report comes in two parts, downloadable from the [Zywave Broker of the Future website](#).

Part One walks through the changing market story — the forces reshaping distribution, the concept of 'continuous everything,' and why the broker's economics are set to improve rather than erode.

Part Two is the playbook — how carriers and brokers can capitalize on these market shifts, including the foundational data problem every carrier and broker needs to solve first, and the no-regrets moves leaders can make today.

THE BOLD QUESTION

Does the Broker Seat Survive?

Start with why the broker's job exists in the first place. Insurance gets bought rarely, is poorly understood, and is almost never bought outright. It has to be sold. Anyone who's spent real time in this industry learns fast that the job was never about filling in forms. It's catching the gap between what a client says they need and what they're really exposed to. **That's the work AI amplifies.** It isn't the work AI replaces.

Could clients just do this themselves as AI gets better? The data says no. Companies are pointing their own AI at internal paperwork and operations, not at buying insurance. Among thousands of risk-function job postings at large commercial buyers, almost none describe AI choosing or purchasing coverage on its own. Buyers are getting smarter and better informed, which raises the bar for their advisors. **It doesn't eliminate the need for one.**

Carriers are automating themselves, not the channel

For this study, we analyzed 2,313 job postings from the last three years, pulled from the teams that buy insurance at U.S. companies. Of those, 369 mention AI, and nearly all of that activity is aimed at the company's own paperwork.

Inside carriers, claims workflows have gone furthest with AI adoption, followed by marketing and fraud detection; rating, pricing, and underwriting lag behind. Every one of those functions sits inside the carrier. Not a single carrier in the study named replacing the distribution channel as an AI

objective, and the market has been pricing in that same conclusion for five years running.

Carriers lean on the broker channel for more than client acquisition. They depend on it to screen and pre-underwrite risk, because the quality of that screening moves their loss ratio directly. That's a large part of why so many carriers voluntarily pay bonus commissions for well-performing books — 5–11% of broker revenue, converting into 15–34% of broker profit, a share that has climbed steadily for a decade. Distribution is something carriers pay for and price deliberately, it isn't a cost they're trying to eliminate.

What the 369 AI postings actually do

Share of postings (%)

GenAI assistant / copilot	31.4%
Process automation / RPA	25.2%
Risk modeling / predictive analytics	20.3%
Internal reporting / dashboards	14.6%
Claims analytics	3.5%
Broker-facing tasks	4.1%

THE BIGGER INDUSTRY RISK

The Shortage That Should Worry You More

The replacement question isn't actually the one that should worry carrier and broker leaders. By the Bureau of Labor Statistics' own projections, roughly **400,000 insurance professionals will have retired since 2021** by the end of this year, and nowhere near enough people are coming in behind them.

Call it a headcount problem if you want, but the harder piece to replace is **judgment**, the kind of experience that only comes from sitting through enough renewals, enough claims, enough difficult client conversations. A training class won't produce that. Neither will a new hire straight out of school. Losing a decade of that experience to retirement is nothing like automating a data-entry queue, and it's not something AI can patch over.

Where the workforce actually sits today

More than half the industry's workforce is still doing service and back-office work: gathering documents, re-keying data, handling routine servicing, exactly the kind of work AI is best suited to take on. Producers and advisors, where judgment actually pays off, are a much smaller slice of the pie, even though that's where headcount most needs to grow.

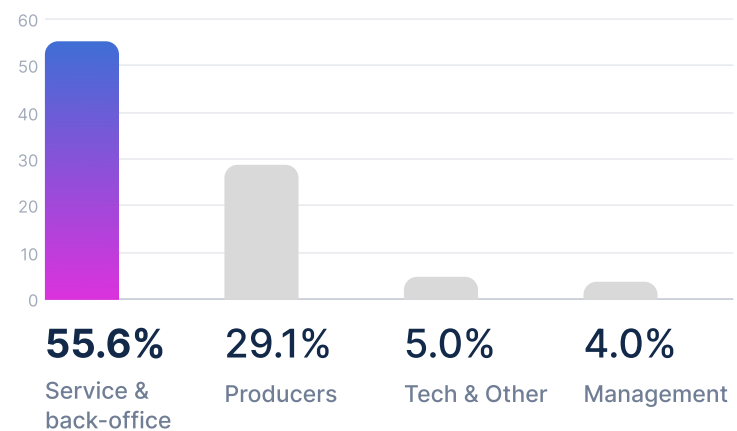
That service share has been shrinking for a while now, as management-system automation, carrier self-service portals, and offshore processing absorbed the easiest keystrokes first. Hiring data confirms where agencies are placing their bets: for every service role they open today, they're opening almost three in sales.

Pay follows judgment, not paperwork

Break the industry's premium into the work AI can safely take over and the work that still needs a human to stand behind it, and the split is telling: about **\$63 billion** a year in distribution pay sits in judgment-heavy, liability-exposed, relationship-driven work, versus **\$52 billion** in the roles that automate earliest. The bigger pool of money is already where AI helps least. Every hour that frees up for an experienced service rep, underwriter, or producer to advise a client instead of re-keying data is an hour that should go toward advice, not back into paperwork.

More than half the workforce still sits in service and back-office

Share of U.S. agency employment (%)



WHERE DOES AI STOP?

Nobody Insures the Machine's Mistake

AI can already read a submission and compare quotes across carriers, and that's genuinely happening today, not a hypothetical. What it can't do yet is bind the policy, and that limit comes from **liability, not capability**.

When a person places a policy incorrectly, an insurer pays for that mistake, and this market has priced and insured against it for decades. No software or payment platform carries that liability today, and no model does either. **A licensed human stays in the seat** because someone has to stand behind the accuracy of the risk.

Every stage of placing a policy falls somewhere between fully automatable and firmly human. Gathering documents and comparing quotes are already AI-assisted or AI-led today. Advising a client on the right coverage and binding the policy that puts it into force are still squarely human work. That's not a technology gap — no state licenses an AI to sign, and no insurer has stepped up to underwrite an AI system's errors at scale. Small-commercial risks have technically been bindable by AI since 2019, and adoption still sits in the single digits. What's missing isn't the technology, it's **an insurer willing to cover the mistake**.

THE MARKET OPPORTUNITY

Four Transformations Unlock \$100B+ in New Value

At this point, three things are established: the broker seat survives, the industry's real shortage is people and judgment rather than excess jobs to cut, and AI stops well short of the bind because of liability, not capability. So if AI isn't replacing brokers or carrier staff, **where does the economic upside come from?**

The answer is from four structural shifts in how risk gets priced, serviced, selected, and covered. Each one hands AI work that was never really a judgment call in the first place, which frees people to spend more time on work that always needed a human decision. These shifts show up across personal lines, commercial lines, and group benefits alike, and together Zywave's research estimates they'll drive more than **\$100 billion in new annual value** across the industry over the next five to seven years:

1 Carriers price on live data (\$10–20B per year)

Continuous underwriting is already mainstream wherever the data rail is old enough to support it. Auto telematics now covers roughly 19.6% of U.S. auto policies in force, with 40% attach among recent switchers, and every top-10 auto writer runs a program, the oldest dating back to 2008. Pay-as-you-go payroll billing has been standard in small-commercial workers' comp for almost two decades. In cyber, continuous external scanning with in-term alerts isn't a feature bolted onto the product. For leading writers, it is the product — made possible because commercial lines carry far more rating freedom than personal lines do.

One distinction matters here: “continuous” doesn’t mean a floating-rate market. **Rates still lock for the policy term;** what changes is the input feeding the next renewal. Carriers are increasingly licensing that pricing intelligence rather than building it in-house. Dozens of named carrier–vendor pricing and risk-intelligence partnerships already exist across the market, and even the largest global carriers show up as customers of third-party pricing engines.

2 Software takes over the back office (\$30–40B per year)

This shift already shows up in the industry’s own employment data. The clerical, data-entry core of agency staffing fell from 32.3% to 30.6% of jobs in a single year through May 2025, its fastest decline in the series, while producer roles grew to 29.1% of the workforce over the same stretch. Carriers have pushed their own internal distribution costs down from roughly 17.5 to 16.5 cents of every premium dollar over five years, even as **commission paid to the channel held flat.** The savings are coming out of internal processing, not the channel’s pay.

As that expense load keeps shrinking, competition passes the savings through into price. Carriers and brokers who automate the back office first get a pricing and margin advantage that lasts. That’s the case for funding this now, rather than treating it as a cost center to defer.

3 Better risk selection and fraud detection (\$20–30B per year)

Carriers already pay well for a well-selected, well-run book, and the spread is wide: one published carrier bonus schedule pays **6.74%** of premium for a book with a 25% loss ratio, and just **0.43%** for one at 55% or worse — a fifteen-fold difference on quality alone. This isn’t theoretical. Contingent and bonus commissions have climbed from 5.0% to 6.5% of the five largest public brokers’ revenue since 2015, and now make up 15–34% of their profit.

AI sharpens that signal. Carriers are increasingly pulling court records, payroll data, and site photos on the businesses they insure year-round, instead of reading one submission at renewal. That surfaces fraud and deteriorating risk earlier and rewards the brokers whose books hold up under scrutiny. Brokers who build that year-round data discipline will out-earn the ones who don’t, before they ever write a new account.

4

New AI risks become new, insurable coverage (\$15–20B per year)

A wave of coverage exists today only because AI does. Model liability covers output errors that cause third-party harm; the chatbot that invented a refund policy a court then enforced against the airline is the case everyone in the industry cites now. Autonomous-agent cover addresses erroneous orders, fraud exposure, and runaway compute costs from an agent that loops. Performance guarantees work like a product warranty, insuring against the model falling short of a contracted accuracy or drift threshold. The first discrimination and bias claims tied to algorithmic hiring decisions are already settling, with lending and underwriting decisions expected next.

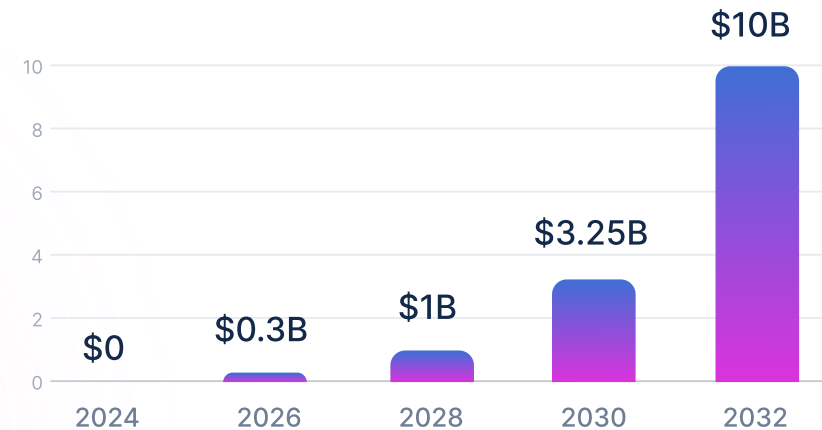
The scale precedent is cyber, which grew from zero to roughly \$15 billion of premium in about fifteen years. AI-specific coverage is tracking a similar curve, modeled to grow from essentially nothing in 2024 to roughly \$10 billion a year by 2032.

Specialty and excess-surplus brokers are positioned to place this new coverage first, at a commission rate near **12.5 cents** on the premium dollar, meaning this single line could add over a billion dollars a year to the broker pool by the time it matures.

In every case, the new value shows up because risk gets priced, serviced, screened, or covered differently, not because fewer people are doing the work. Which raises the real question: what does distribution itself have to look like to capture it?

New AI-specific insurance lines: \$0 to ~\$10B a year by 2032

Annual premium (\$B, central estimate)



How Distribution Itself Changes

Capturing that value takes more than a product change at the carrier or a point solution at the agency. It takes a different operating model for distribution itself. Our research breaks that into two pieces: what happens to the client advisory model, and what we're calling **"continuous everything."**

The future of client advisory

A look outside insurance sharpens the picture. In commercial law, contract turnaround has compressed from a week to same-day, fixed fees are replacing hourly estimates now that volume has become predictable, and advice has turned proactive, matching regulatory change against a client's live contracts before the client thinks to ask. In private equity, first-pass diligence has compressed from weeks to under an hour, and LP reporting now happens on demand. Both of those markets carry high-consequence decisions, and both are re-pricing the human relationship around judgment and speed without removing the liable party from the picture. Insurance distribution is on the same path.

What this means for insurance distributors

The application splits into two areas: **how the work gets done, and how the work gets paid.**

On the operating side, the data a broker already holds becomes the moat. Every submission, every declination, every certificate of insurance, benefits program summary, declaration page, and loss run is proprietary context a competitor can't replicate starting from scratch. Agentic AI moves onto the workflow itself, so monitoring runs continuously instead of on a renewal calendar, while the licensed human still sits exactly where liability requires: at the bind.

On the economic side, pay increasingly ties to outcomes rather than volume, and fees shift toward advice rather than transaction processing. The bigger trend underneath this: underwriting authority, the pen itself, keeps moving closer to retail. Delegated authority premium — the business carriers hand to MGAs and program administrators rather than pricing themselves — grew from \$70.9 billion to \$108.7 billion in just three years, and retail brokers' own ownership share of that wholesale layer has roughly doubled, from 15.8% to 30.6%, over five years. The advantage goes to whoever's data and incentives already point at book quality, not just book volume.

"Continuous Everything"

The logic follows what's sometimes called Jevons' Paradox: when the marginal cost of a task collapses toward zero, you don't do the same amount of it more cheaply, you do far more of it. Underwriting reviews, quote comparisons, and coverage checks are all currently rationed by staff hours. Take away that constraint and frequency rises instead of headcount falling. Firms that grasp this will run review cycles their competitors can't afford to match.

For carriers, "continuous" means pricing and underwriting against live inputs instead of a point-in-time snapshot. For brokers, it means quoting and risk management that never really stop. Rates still stay locked for the policy term; this isn't a floating-rate market. What changes is the input feeding a more accurate renewal, not how often the renewal happens.

Three problems that resolve across every line of business:

Commercial: A manufacturer's property policy auto-renews four years running while a 2019 cyber exclusion and an outdated valuation clause sit unexamined, until a claim finally tests them.

Personal Lines: A homeowner finishes a \$150,000 basement remodel and adds a trampoline for the kids — and the carrier has no idea until a claim arrives, because nothing about the policy changes until next year's renewal notice.

Benefits: An employer's headcount grows 40% through a mid-year acquisition, but life and long-term-disability coverage amounts are still set off a census that's a year out of date, so new employees are underinsured from their first day, and nobody catches it until open enrollment.

Each of these is trivial to fix once someone's looking. Instead, each one slides through on auto-renewal or annual open enrollment, year after year, a quiet, compounding loss of value and protection across personal lines, commercial, and benefits alike. Continuous monitoring catches each one **proactively** instead of after the fact.

WHO WINS

A Preview of the Archetypes

That \$100 billion opportunity will reward some firms more than others. **Three broad trajectories** are already visible across our research, and each deserves its own deeper-cut analysis down the road. For now, here's the view from 30,000 feet: what defines each path, and the signal that tells you which one a given firm is actually on.

Scale keeps getting bigger

The largest national and super-regional brokerages keep consolidating premium and talent, increasingly buying the capability gap instead of building it. Private-equity-backed and publicly traded acquirers have spent the last decade proving that a modern operating model, a shared carrier-markets desk, and a single data platform scale faster bolted onto an acquired book than built from scratch by a smaller firm.

What sets this group apart isn't size alone; plenty of large, legacy brokerages are just as exposed as the mid-market firms in category two. What matters is whether scale is being used to fund the platform: a shared intelligence layer, a dedicated integration team, and enough leverage to negotiate direct data and API access that a standalone agency never gets offered.

Signal to watch: acquisition multiples holding up even as underlying commission growth moderates, a sign buyers are pricing the platform and the data, not just the trailing revenue.

The middle digitizes or gets bought

Mid-sized agencies that don't modernize their operating model are the most exposed cohort in our data, which makes them the natural acquisition target for the firms in category one. This group usually has the revenue to fund a real transformation but not yet the governance to push it through: legacy AMS contracts nobody wants to renegotiate, SOPs that live in people's heads instead of on paper, and leadership paid on new business rather than book quality.

The firms in this cohort that avoid being acquired on someone else's terms tend to make one decision early: they name a single owner for the data and automation agenda, with real budget and real authority, instead of leaving it as a side project for whoever's most comfortable with technology. The firms that skip that step are the ones whose valuation discount shows up first, in the loss-ratio data their own carriers are already watching.

Signal to watch: contingent and bonus commission trending down year over year even as top-line revenue holds flat — a sign the book's quality, not just its size, is slipping.

Specialists pull away

If a brokerage isn't going to be the biggest, depth is the only durable way to compete: a defensible niche, carrier-appointment access other firms can't get, or demonstrably better command of a specific class of risk. Depth compounds in a way scale alone doesn't. A firm that places a disproportionate share of one narrow class builds judgment, carrier relationships, and proprietary loss data in that niche that a generalist can't replicate just by hiring another producer.

We're already seeing firms make this bet on purpose: one brokerage in our research is targeting a jump from roughly a third of its book being specialized today to nearly 80% within the next few years. That's a deliberate, board-level reallocation away from generalist accounts, not an accident of who walked in the door. The same logic holds below the brokerage level, an individual producer or practice group that goes deep on one class of risk is making the same bet at a smaller scale.

Signal to watch: carriers extending delegated underwriting authority or preferred appointment terms — a vote of confidence that only comes with a demonstrated specialty track record.

These three paths aren't mutually exclusive inside one organization. A large national brokerage can and often does run specialist practice groups alongside its generalist book, and a well-run mid-market firm can carve out a defensible niche before it ever has to choose between digitizing or being acquired.

What's not on the table for anyone is a fourth path: standing still. Each archetype calls for its own playbook, which our deeper-cut research will cover. The rest of this report focuses on the moves that pay off no matter which path a brokerage is on.

DOWNLOAD THE PLAYBOOK

About This Research

Zywave commissioned this research to help carriers and brokers navigate what AI really changes, where the real opportunities and constraints sit, and what to build first.

The full study is available at:

zywave.com/resources/the-broker-of-the-future-report