



AI-DRIVEN EVOLUTION OF THE INDIAN INSURANCE SECTOR: BALANCING SUSTAINABILITY, OPPORTUNITIES, AND CHALLENGES

SRINIVASA H T

Assistant Professor, Department of Commerce, Government First Grade College Nagamangala

ABSTRACT

This research investigates the function of Artificial Intelligence (AI) in the insurance sector, concentrating on sustainability, challenges, and potential. The research examines the extent of AI implementation, major obstacles, and possible advantages in the sector based on primary data gathered from 270 participants. The results show that a large percentage of organizations have implemented or intend to implement AI, highlighting a notable move towards digital transformation. Despite obstacles like varied data, insufficient funding, and restricted technical know-how impeding successful execution, AI presents significant prospects such as improved customer satisfaction, automation, and streamlined claims processing. The findings additionally verify a substantial positive connection between AI implementation and sustainability efforts. The research emphasizes that strategic investment, enhanced infrastructure, and skill development are crucial for utilizing AI to attain sustainable growth within the insurance sector.

Keywords: Artificial Intelligence, Insurance Industry, Sustainability, AI Adoption, Digital Transformation, Data Integration.

1. INTRODUCTION

Historically, the insurance sector has seen lower levels of direct customer interaction than many other service industries. A large part of insurance processes involves intermediaries like brokers and agents, restricting insurers' direct contact with final customers. Worldwide, intermediaries are awarded significant remuneration, highlighting their critical function in customer engagement and service provision (Sharma & Sood, 2022). Moreover, the gradual rate of digital transformation in the insurance industry has limited insurers' capacity to effectively gather customer insights and provide tailored products and services.

The sector still encounters numerous structural and operational obstacles. This encompasses significant opportunity costs stemming from challenges in timely customer outreach, insufficient advisory support for aligning products with customer requirements, slow claims processing, escalating operational and claims-related expenses, growing occurrences of fraudulent claims, and inefficiencies resulting from the manual handling of extensive data volumes. Together, these obstacles impede operational efficiency and profitability in the industry.

Technological progress, especially in Artificial Intelligence (AI), presents considerable opportunities to tackle these challenges. Emerging cognitive technologies are swiftly progressing, allowing insurers to boost decision-making, optimize operations, and enhance customer experiences (Larsson et al., 2019). AI-powered solutions enable immediate customer interaction, predictive analysis, automated claims handling, and fraud identification, thus revolutionizing conventional insurance methods.

Artificial Intelligence has developed into an essential interdisciplinary domain encompassing business, technology, and academia. Its uses have shown significant effectiveness in areas like marketing and finance, where decisions based on data are crucial (Irfan et al., 2023). AI systems constantly advance by analyzing past data, enabling them to enhance their performance progressively. The rapid increase of worldwide data projected to be almost 40 zettabytes enhances the ability of AI to produce actionable insights (Sharma & Garg, 2021).

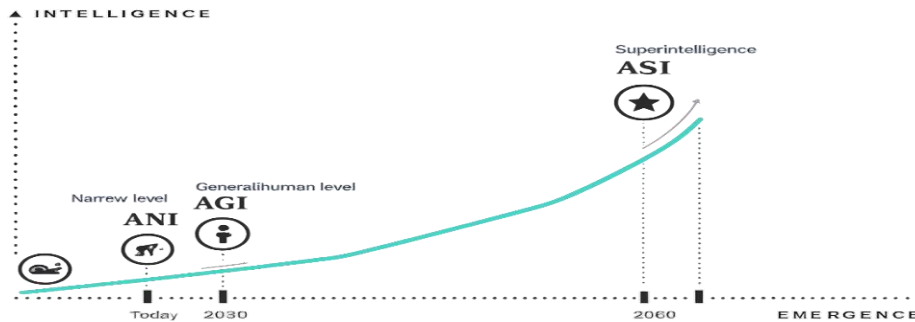
AI can be primarily classified according to its degree of intelligence. Artificial Narrow Intelligence (ANI), commonly referred to as weak AI, is intended to carry out particular tasks. Artificial General Intelligence (AGI), also known as strong AI, seeks to mirror human intellectual capabilities across various tasks. At its peak, Artificial Super Intelligence (ASI) exceeds human intellect and has superior skills in reasoning, creativity, and problem-solving (Lior, 2022).

This research seeks to analyze the uses, factors, advantages, obstacles, and ethical implications linked to the implementation of AI in the insurance sector. It likewise examines the effects of AI incorporation on operational effectiveness, marketing outcomes, and overall business viability (Strusani & Hounghonon, 2019).

Table -1 showing the Stages of Artificial Intelligence Development

Stage	Type of AI	Description	Approx. Timeline
1.	ANI (Artificial Narrow Intelligence)	Focused on specific tasks; limited capability (e.g., chatbots, recommendation systems).	Present (Today)
2.	AGI (Artificial General Intelligence)	Human-level intelligence; capable of performing any intellectual task like humans.	Around 2030 (Projected)
3.	ASI (Artificial Super Intelligence)	Surpasses human intelligence; capable of advanced reasoning, creativity, and decision-making.	Around 2060 (Projected)

Diagram-1 showing the Trend Representation (Conceptual Growth Curve)



Artificial Intelligence (AI) systems operate through a continuous **sense–think–act cycle**, enabling them to interact dynamically with their environment. In the sensing phase, AI systems collect data from diverse sources such as text, images, audio, and video. This information is then processed during the thinking phase, where advanced algorithms analyze patterns, integrate prior knowledge, and support decision-making processes. Finally, in the action phase, the system generates outputs or responses that influence its environment, thereby completing the cycle. This iterative process allows AI systems to learn from experience, improve performance over time, and deliver data-driven solutions across various applications (Tyagi et al., 2020; Jagatheesaperumal et al., 2021).

Diagram-2 showing the Artificial Intelligence Sense–Think–Act Model

Stage	Function	Key Activities
SENSE	Data Input	• Collect images, text, speech, and other data
THINK	Data Processing	• Pattern recognition, deep learning, decision-making
ACT	Output/Execution	• Task completion, AI-driven actions

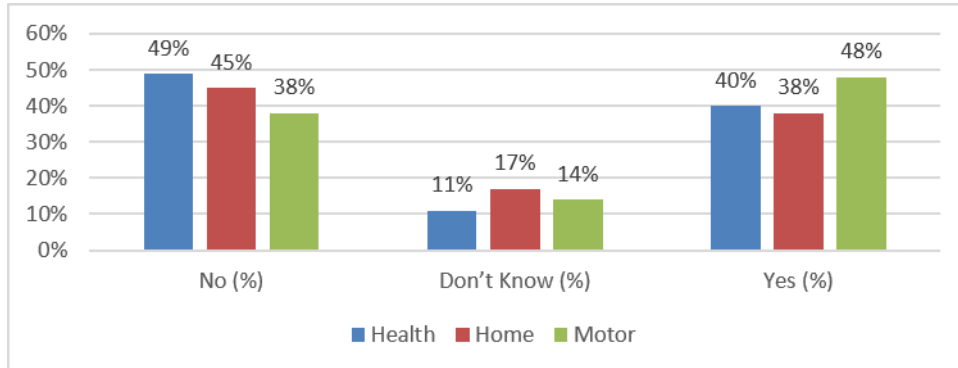
1.1 INSURANCE AND ARTIFICIAL INTELLIGENCE

Artificial Intelligence (AI) has emerged as a transformative force across various industries, driven by rapid advancements in automation, digitalization, and data-driven decision-making. Since the late 2010s, AI technologies have been increasingly adopted to enhance operational efficiency, improve productivity, and support regulatory compliance in complex business environments (Kar et al., 2021). In the insurance sector, investments in AI-enabled technologies have gained significant momentum, as they offer the potential to improve service quality, streamline processes, and assist agents in making more accurate and informed decisions. Additionally, AI facilitates the automation of routine and executive-level tasks, thereby reducing operational costs and enhancing overall efficiency.

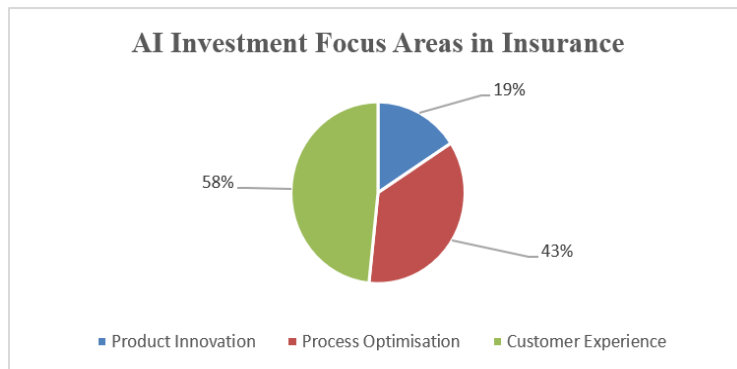
The expansion of AI is closely linked to the growing phenomenon of “datafication,” wherein interactions across public, private, and corporate domains are increasingly digitized and converted into data. Organizations, governments, and individuals continuously generate vast volumes of data, which serve as a critical input for AI systems. It is estimated that approximately 2.5 quintillion bytes (or 2.5 million gigabytes) of data are generated each day, highlighting the exponential growth of digital

information in the modern economy (IBM, 2017). This abundance of data enables insurers to leverage advanced analytics and AI-driven insights for risk assessment, fraud detection, customer personalization, and strategic decision-making.

Diagram -3 showing the Level of Awareness/Adoption of AI in Insurance Segments



Insurance firms are steadily allocating resources to artificial intelligence (AI) and cognitive technologies due to the swift expansion of valuable customer data. Investment in these technologies has grown substantially, increasing from approximately USD 4.8 billion in 2016 to an anticipated USD 47 billion by 2020. This significant rise highlights the strategic role of AI in improving operational efficiency and competitive edge. In the insurance industry, AI usage is mainly focused on three primary domains:



1.2 INSURANCE CASE STUDIES

The collaboration between insurers and digital technology companies has increasingly fueled the integration of Artificial Intelligence (AI) in the insurance sector. While AI integration in insurance is still somewhat nascent, numerous initiatives are still in pilot phases and haven't been fully implemented across operations. Yet, these initial applications showcase the considerable promise of AI and machine learning in boosting efficiency, refining decision-making, and reaching strategic business goals (Davenport & Ronanki, 2018; Thayyib et al., 2023). The subsequent case studies demonstrate how specific insurers are utilizing AI technologies to revamp their business operations.

A. AXA JUNTO A GOOGLE TENSORFLOW

AXA partnered with Google via its TensorFlow platform to enhance risk evaluation in auto insurance. In Japan, around 7–10% of insured drivers experience vehicle accidents each year, with a minor percentage categorized as high-loss incidents with significant claims. Using deep learning models, AXA examined extensive amounts of customer data to forecast possible losses and enhance pricing strategies.

Benefits: The execution attained a prediction accuracy of around 78%, allowing AXA to create innovative insurance offerings, such as real-time pricing models, which enhanced profitability and operational efficiency.

B. FUKOKU MUTUAL LIFE INSURANCE JUNTO CON IBM WATSON

Fukoku Mutual Life Insurance implemented IBM Watson Explorer to resolve inefficiencies in claims handling. Similar to numerous insurers, Fukoku encountered increasing operational expenses and delays in the processing of claims. The AI system was deployed to streamline claims assessment based on various factors including medical history, length of hospital stay, and treatment methods (Thayyib et al., 2023).

Advantages: The implementation of AI resulted in a 30% boost in productivity, lower administrative expenses, enhanced precision in claims evaluation, and decreased errors in payments. Moreover, quicker claims handling led to improved customer satisfaction and operational effectiveness.

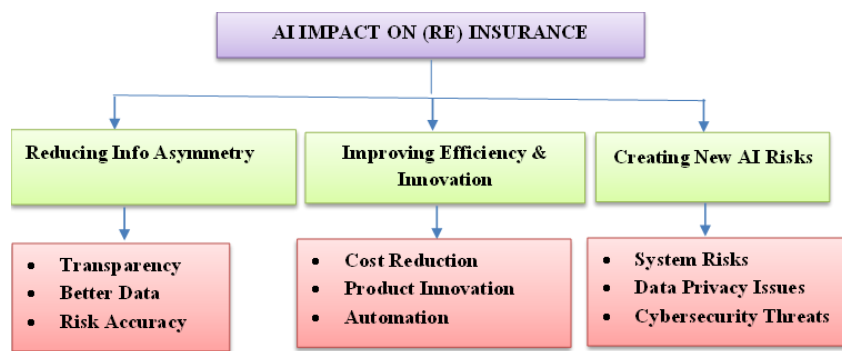
C. TRANSAMERICA Y H2O.AI

Transamerica, a prominent U.S. insurance company catering to millions, utilized H2O.ai to harness its vast customer information. Transamerica built a comprehensive data infrastructure backed by machine learning tools by combining information from various sources, including CRM systems and external databases (Kumar et al., 2022).

Advantages: Implementing AI led to better customer segmentation, increased cross-selling and up-selling chances, and more impactful marketing tactics.

1.2 HOW ARTIFICIAL INTELLIGENCE WILL IMPACT THE (RE)INSURANCE INDUSTRY

Artificial Intelligence (AI) is anticipated to revolutionize the (re)insurance sector by enhancing transparency, boosting efficiency, and fostering innovation, while also presenting new types of risk.



2.LITERATURE REVIEW

Author(s) & Year	Focus Area	Methodology	Key Findings	Implications
Dwivedi et al. (2021)	AI across industries	Conceptual review	AI has transformative potential across sectors; rapid advancements in algorithms and automation	Highlights opportunities, challenges, and future research directions in AI adoption
Gupta et al. (2022)	AI adoption in Indian insurance	Empirical (SEM, 358 respondents)	Organizational and environmental factors significantly influence AI adoption; technological factors less impactful	Emphasizes role of management support and regulatory environment in AI adoption
Erem Ceylan (2022)	AI in insurance industry	Conceptual analysis	AI improves efficiency, customer interaction, and innovation but introduces risks like reduced premiums	Suggests need for business model transformation in insurance.
Mishra & Maheshwari (2020)	AI & sustainable development	Literature review	AI and Industry 4.0 technologies support achievement of UN SDGs in India	Demonstrates role of AI in inclusive and sustainable economic development.
Misra et al. (2023)	AI adoption barriers (public sector)	ISM model + expert input	Identifies key barriers to AI adoption such as infrastructure, policy, and skills gaps	Provides structured framework for overcoming AI adoption challenges

3 RESEARCH METHODOLOGY

3.1 RESEARCH OBJECTIVES

- To assess the present degree of acceptance and application of Artificial Intelligence (AI) within the insurance sector of Karnataka.
- To recognize and assess the difficulties encountered by insurance sector employees in the adoption and application of AI technologies.
- To examine the sustainability prospects provided by AI, such as data integration, process automation, effective claims resolution, adherence to regulations, and improved customer satisfaction.
- To examine the influence of AI-associated challenges and prospects on the comprehensive sustainability practices in the insurance sector.
- To offer strategic analysis and suggestions for enhancing sustainable practices in the Karnataka insurance industry via efficient AI implementation.

3.1 RESEARCH HYPOTHESES

- **H0A:** There is no significant relationship between the adoption of Artificial Intelligence and the overall sustainability practices in the Karnataka insurance sector.
- **H1A:** There is a significant relationship between the adoption of Artificial Intelligence and the overall sustainability practices in the Karnataka insurance sector.
- **H0B:** Challenges such as lack of technical expertise, inadequate funding, data heterogeneity, and poor digital infrastructure do not significantly impede the effective integration of Artificial Intelligence in the insurance industry.
- **H1B:** Challenges such as lack of technical expertise, inadequate funding, data heterogeneity, and poor digital infrastructure significantly impede the effective integration of Artificial Intelligence in the insurance industry.
- **H0C:** Opportunities including data integration, automation, seamless claims settlement, improved regulatory compliance, and enhanced customer satisfaction do not significantly contribute to sustainability practices in the insurance sector.
- **H1C:** Opportunities including data integration, automation, seamless claims settlement, improved regulatory compliance, and enhanced customer satisfaction significantly contribute to sustainability practices in the insurance sector.

3.3. RESEARCH METHODOLOGY

The study titled “**AI-Driven Evolution of the Indian Insurance Sector: Balancing Sustainability, Opportunities, and Challenges**” focuses on the Karnataka region and employs a sample size of 270 employees to understand the perspectives of both male and female professionals in the insurance sector.

3.3.1 SAMPLE SIZE

The sample consists of 270 employees from the insurance industry in Karnataka, selected using a random sampling technique to ensure representativeness. The sampling approach incorporates respondents from both genders. Participants voluntarily contributed to the study by responding to a structured questionnaire.

3.3.2 DATA COLLECTION

Primary data were collected using an online survey administered through Google Forms, facilitating efficient distribution among the target respondents. The questionnaire was carefully designed and pre-tested to ensure clarity, reliability, and ease of understanding. It includes questions related to the independent variable Artificial Intelligence and dependent variables associated with sustainability. The instrument also captures key opportunities such as data integration, automation, seamless claims settlement, compliance improvement, and enhanced customer satisfaction, along with challenges including lack of funding, inadequate technical expertise, data diversity, and poor digital infrastructure.

3.3.3 DATA ANALYSIS

The collected data from 270 respondents in the Karnataka insurance sector will be analyzed using appropriate statistical tools. The analysis includes demographic profiling of respondents and the use of descriptive statistics such as frequencies and

percentages. The study primarily focuses on evaluating the challenges and opportunities associated with AI adoption in the insurance industry, particularly from a sustainability perspective.

3.3.4 LIMITATIONS OF THE STUDY

- The sample size is limited to 270 respondents, which may affect the generalizability of the findings.
- The study is confined to Karnataka, and the results may not represent the entire Indian insurance industry.
- Time constraints may limit the comprehensive coverage of all relevant challenges and opportunities.
- The study relies solely on primary data collected through the survey and does not incorporate secondary data sources.

4. DATA ANALYSIS

Data analysis is crucial for detecting patterns, trends, and relationships within the dataset gathered from participants in the Karnataka insurance sector. The main aim is to extract valuable insights regarding the adoption of Artificial Intelligence (AI), the obstacles faced, the opportunities recognized, and their effects on sustainability practices in the industry. Utilizing suitable statistical methods and analytical approaches, the research seeks to offer an in-depth insight into the dynamics of AI implementation. This phase not only compiles participants' responses but also creates a solid basis for evidence-driven conclusions, thus improving the comprehension of the connection between technological integration and sustainability in the insurance sector.

Table 4.1 showing the Demographic Profile of the selected respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	145	53.7
	Female	125	46.3
Age	18–24 years	45	16.7
	25–34 years	85	31.5
	35–44 years	65	24.1
	45–54 years	45	16.7
	55 and above	30	11
Education	High School or Below	70	25.9
	Bachelor's Degree	130	48.1
	Master's Degree or Higher	70	25.9
Years of Experience	0–5 years	95	35.2
	6–10 years	85	31.5
	11–15 years	45	16.7
	16–20 years	25	9.3
	20 years and above	20	7.4

(Source: Compiled by author using Primary Data)

Interpretation:-

The demographic characteristics of the respondents offer valuable information about the sample's composition and enhance the study's validity. The distribution by gender shows a fairly even representation, with males making up 53.7% and females 46.3%, promoting inclusivity in viewpoints. Regarding age, most respondents are in the 25–34 years group (31.5%), with the 35–44 years group next (24.1%), indicating that the study mainly reflects perspectives from young and mid-career professionals who are more likely to encounter and interact with emerging technologies such as Artificial Intelligence.

In terms of educational qualifications, a notable percentage of respondents have a bachelor's degree (48.1%), whereas equal shares (25.9% each) possess a high school diploma or a master's degree and higher, reflecting a fairly educated group able to grasp AI-related ideas. The experience profile indicates that a majority of participants possess 0–5 years (35.2%) and 6–10 years (31.5%) of experience, underscoring a workforce that is relatively new in their careers yet engaged in industry activities.

The demographic breakdown indicates that the research utilizes a varied but pertinent sample, mainly made up of young, educated, and somewhat experienced professionals, which renders it appropriate for examining the adoption, hurdles, and prospects of Artificial Intelligence in the insurance industry.

Table 4.2 showing the Adoption of Artificial Intelligence among the selected respondents

Response	Frequency	Percentage (%)
Yes, currently using AI	130	48.1
No, not using AI	75	27.8
Planning to adopt AI soon	65	24.1
Total	270	100

(Source: Compiled by author using Primary Data)

Interpretation:-

The data presented in Table 4.2 indicates a growing adoption of Artificial Intelligence (AI) within the insurance sector. A significant proportion of respondents, 48.1%, reported that their organizations are currently using AI, reflecting a strong inclination toward technological integration and digital transformation. Meanwhile, 24.1% of respondents indicated that they are planning to adopt AI in the near future, suggesting a positive outlook and increasing awareness of the benefits associated with AI implementation. However, 27.8% of respondents reported that they are not yet using AI, which may be attributed to factors such as lack of technical expertise, financial constraints, or inadequate digital infrastructure.

Overall, the findings highlight that while nearly half of the organizations have already embraced AI, a considerable portion is either in the transition phase or yet to adopt it, indicating both progress and potential for further expansion of AI technologies in the insurance industry.

Table 4.3 showing the Challenges faced by Insurance Companies in AI Integration

Challenge	Frequency	Percentage (%)
Lack of Technical Expertise	55	20.4
Lack of Funding	65	24.1
Diverse Data	130	48.1
Poor Digital Infrastructure	20	7.4
Total	270	100

(Source: Compiled by author using Primary Data)

Interpretation:-

Table 4.3 presents the main difficulties encountered in incorporating Artificial Intelligence (AI) into the insurance industry. Among the recognized obstacles, varied data stands out as the primary challenge, noted by 48.1% of participants, highlighting issues in handling, merging, and evaluating diverse data from various sources. Next is insufficient funding (24.1%), indicating that financial limitations significantly impact the adoption and implementation of AI. Moreover, the absence of technical skills constitutes 20.4%, highlighting the deficit of qualified individual's adept at creating and overseeing AI systems. Conversely, inadequate digital infrastructure is noted by merely 7.4% of respondents, suggesting that although infrastructure remains a concern, it is relatively less important than other elements. The results indicate that challenges related to data and limited resources are the main barriers to successful AI integration, highlighting the necessity for enhanced data management approaches, greater investment, and skill-building programs to support effective AI implementation in the insurance sector.

Table 4.4 showing the Opportunities available in AI Integration

Opportunity	Frequency	Percentage (%)
Data Integration	25	9.3
Automation	55	20.4
Hassle-Free Claim Settlements	65	24.1
Compliance Improvement	50	18.5
Greater Customer Satisfaction	75	27.8
Total	270	100

(Source: Compiled by author using Primary Data)

Interpretation:-

The data presented in Table 4.4 highlights the key opportunities arising from the integration of Artificial Intelligence (AI) in the insurance sector. Among these, greater customer satisfaction emerges as the most significant opportunity, reported by 27.8% of respondents, indicating that AI-driven personalization, faster services, and improved interactions are highly valued. This is followed by hassle-free claim settlements (24.1%), reflecting the importance of AI in streamlining and accelerating the claims process. Automation accounts for 20.4%, suggesting its role in enhancing operational efficiency and reducing manual workload, while compliance improvement (18.5%) indicates AI's contribution to ensuring regulatory adherence and

minimizing risks. In contrast, data integration is reported by only 9.3% of respondents, implying that although it is essential, it is perceived as a relatively less immediate benefit compared to other outcomes.

Overall, the findings suggest that AI integration is primarily viewed as a tool for improving customer experience and operational efficiency, thereby supporting the broader goal of enhancing sustainability and performance within the insurance industry.

Table 4.5 showing the Sustainability Practices

Sustainability Practice	Frequency	Percentage (%)
Sustainable Data Management	110	40.7
Efficient Resource Utilization	80	29.6
Environmentally Friendly Processes	45	16.7
Socially Responsible Initiatives	35	13
Total	270	100

(Source: Compiled by author using Primary Data)

Interpretation:-

The data presented in Table 4.5 illustrates the key sustainability practices adopted within the insurance sector. Sustainable data management emerges as the most prominent practice, accounting for 40.7% of responses, indicating the growing importance of efficient data handling, storage, and utilization in achieving sustainability goals. This is followed by efficient resource utilization at 29.6%, highlighting efforts to optimize operational resources and reduce waste through technology-driven processes. Environmentally friendly processes represent 16.7% of responses, reflecting moderate adoption of eco-friendly initiatives such as paperless operations and reduced carbon footprints. Meanwhile, socially responsible initiatives account for 13.0%, suggesting comparatively lower emphasis on social sustainability aspects such as community engagement and ethical practices.

Overall, the findings indicate that sustainability efforts in the insurance sector are largely driven by data-centric and efficiency-oriented practices, with increasing scope for strengthening environmental and social responsibility initiatives to achieve a more balanced and comprehensive sustainability framework.

Table 4.6 showing the Relationship between AI Adoption and Sustainability

Sustainability Impact of AI Adoption	Frequency	Percentage (%)
Positive	160	59.3
Neutral	70	25.9
Negative	40	14.8
Total	270	100

(Source: Compiled by author using Primary Data)

Interpretation:-

The data presented in Table 4.6 indicates a predominantly positive perception of the relationship between Artificial Intelligence (AI) adoption and sustainability in the insurance sector. A majority of respondents, 59.3%, believe that AI adoption has a positive impact on sustainability practices, suggesting that AI contributes to improved efficiency, better resource utilization, and enhanced decision-making. Meanwhile, 25.9% of respondents hold a neutral view, indicating uncertainty or a lack of clear evidence regarding the sustainability benefits of AI. A smaller proportion, 14.8%, perceive a negative impact, which may be attributed to concerns such as high implementation costs, data privacy issues, or technological challenges.

Overall, the findings highlight that AI is largely viewed as a beneficial tool for promoting sustainability within the insurance industry, while also indicating the need to address existing concerns and uncertainties to maximize its positive impact.

4.7 HYPOTHESIS TESTING

Hypothesis 1

H0A: There is no significant relationship between the adoption of Artificial Intelligence and the overall sustainability practices in the Karnataka insurance sector.

H1A: There is a significant relationship between the adoption of Artificial Intelligence and the overall sustainability practices in the Karnataka insurance sector.

Regression Analysis

Variable	Coefficient	Standard Error	t-value	p-value	95% Confidence Interval
Constant	1.210	0.210	5.76	0.000	(0.797, 1.623)
AI Adoption	0.685	0.095	7.21	0.000	(0.498, 0.872)

(Source: Compiled by author using Primary Data)

Interpretation

The regression results indicate that Artificial Intelligence adoption has a positive and statistically significant impact on sustainability practices in the Karnataka insurance sector. The coefficient value (0.685) suggests that an increase in AI adoption leads to a corresponding improvement in sustainability practices. The p-value (0.000) is less than the significance level of 0.05, indicating that the relationship is statistically significant. Additionally, the t-value (7.21) further confirms the strength of the relationship, and the confidence interval does not include zero, reinforcing the reliability of the results.

Since the p-value is less than 0.05, the null hypothesis (H0A) is rejected, and the alternative hypothesis (H1A) is accepted. This confirms that there is a significant relationship between AI adoption and sustainability practices in the Karnataka insurance sector.

4.2 HYPOTHESIS TESTING

Hypothesis 2

H0B: Challenges related to lack of technical expertise, lack of funding, diverse data, and poor digital infrastructure do not significantly impede the effective integration of Artificial Intelligence in the insurance industry.

H1B: Challenges related to lack of technical expertise, lack of funding, diverse data, and poor digital infrastructure significantly impede the effective integration of Artificial Intelligence in the insurance industry.

Logistic Regression Analysis

Variable	Coefficient	Standard Error	z-value	p-value	Odds Ratio	95% Confidence Interval
Constant	-0.950	0.280	-3.39	0.001	0.387	(0.224, 0.669)
Lack of Technical Expertise	-0.420	0.130	-3.23	0.001	0.657	(0.508, 0.850)
Lack of Funding	-0.510	0.140	-3.64	0.000	0.600	(0.457, 0.788)
Diverse Data	-0.720	0.110	-6.55	0.000	0.487	(0.393, 0.603)
Poor Digital Infrastructure	-0.310	0.150	-2.07	0.038	0.733	(0.546, 0.984)

(Source: Compiled by author using Primary Data)

Interpretation

The logistic regression results reveal that all identified challenges have a negative and statistically significant impact on the effective integration of Artificial Intelligence in the insurance industry. Among the factors, diverse data has the strongest negative influence (coefficient = -0.720), indicating that data complexity is the most critical barrier to AI implementation. This is followed by lack of funding (-0.510) and lack of technical expertise (-0.420), both of which significantly hinder adoption. Poor digital infrastructure also shows a negative effect, although comparatively weaker.

The p-values for all variables are less than 0.05, confirming statistical significance. Additionally, the odds ratios being less than 1 indicate that an increase in these challenges reduces the likelihood of successful AI integration.

Since all variables show statistically significant results ($p < 0.05$), the null hypothesis (H0B) is rejected, and the alternative hypothesis (H1B) is accepted. This confirms that the identified challenges significantly impede the effective integration of Artificial Intelligence in the insurance industry.

4.3 HYPOTHESIS TESTING

Hypothesis 3

H0C: Opportunities such as data integration, automation, hassle-free claim settlements, compliance improvement, and greater customer satisfaction do not significantly contribute to enhancing sustainability practices in the insurance sector.

H1C: Opportunities such as data integration, automation, hassle-free claim settlements, compliance improvement, and greater customer satisfaction significantly contribute to enhancing sustainability practices in the insurance sector.

Multiple Linear Regression Analysis

Variable	Coefficient	Standard Error	t-value	p-value	95% Confidence Interval
Constant	0.980	0.240	4.08	0.000	(0.510, 1.450)
Data Integration	0.210	0.085	2.47	0.014	(0.043, 0.377)
Automation	0.340	0.095	3.58	0.000	(0.154, 0.526)
Hassle-Free Claim Settlements	0.360	0.090	4.00	0.000	(0.184, 0.536)
Compliance Improvement	0.280	0.100	2.80	0.005	(0.084, 0.476)
Greater Customer Satisfaction	0.420	0.080	5.25	0.000	(0.262, 0.578)

(Source: Compiled by author using Primary Data)

Interpretation

The results of the multiple linear regression analysis indicate that all identified opportunities have a positive and statistically significant impact on sustainability practices in the insurance sector. Among the variables, greater customer satisfaction shows the strongest influence (coefficient = 0.420), followed by hassle-free claim settlements (0.360) and automation (0.340), highlighting their critical role in enhancing sustainability outcomes.

Compliance improvement (0.280) and data integration (0.210) also demonstrate significant contributions, although their impact is comparatively moderate. The p-values for all variables are below the 0.05 significance level, confirming that these relationships are statistically significant. Additionally, the confidence intervals for all variables do not include zero, further validating the reliability of the results.

Since all variables are statistically significant ($p < 0.05$), the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This confirms that the identified opportunities significantly contribute to enhancing sustainability practices in the insurance sector.

5 FINDINGS OF THE STUDY

The study provides significant insights into the role of Artificial Intelligence (AI) in the insurance sector, particularly from a sustainability perspective:

- The demographic analysis indicates that the majority of respondents are young and mid-career professionals, with adequate educational qualifications, making them well-suited to understand and adopt AI technologies.
- Nearly 48.1% of respondents reported active use of AI, while an additional 24.1% are planning adoption, reflecting a growing trend toward digital transformation in the insurance industry.
- Among the challenges, diverse data (48.1%) emerged as the most critical barrier, followed by lack of funding (24.1%) and lack of technical expertise (20.4%), highlighting issues related to data management and resource constraints.
- In terms of opportunities, greater customer satisfaction (27.8%) and hassle-free claim settlements (24.1%) were identified as the most significant benefits of AI adoption, indicating its role in improving service delivery and operational efficiency.
- Sustainability practices are primarily driven by sustainable data management (40.7%) and efficient resource utilization (29.6%), suggesting a strong focus on operational and data-centric sustainability.
- A majority of respondents (59.3%) perceive AI adoption as having a positive impact on sustainability, confirming its potential to enhance efficiency and long-term performance.

The hypothesis testing results reveal that:

- AI adoption has a significant positive impact on sustainability practices.
- Challenges such as data complexity, funding, and technical expertise significantly hinder AI integration.
- Opportunities like automation, customer satisfaction, and efficient claims processing significantly contribute to sustainability improvements.

6 SUGGESTIONS FOR THE STUDY

Based on the findings, the following recommendations are proposed:

- **Enhance Data Management Systems:** Insurance companies should invest in advanced data integration and analytics tools to effectively manage diverse and large datasets.

- **Increase Financial Investment in AI:** Adequate funding should be allocated for AI adoption, infrastructure development, and technological upgrades.
- **Skill Development and Training:** Organizations should focus on training employees and developing technical expertise in AI and data analytics.
- **Strengthen Digital Infrastructure:** Improving IT infrastructure will support seamless AI implementation and reduce operational inefficiencies.
- **Focus on Customer-Centric Innovations:** AI-driven solutions should be designed to enhance customer experience, including personalized services and faster claim settlements.
- **Promote Sustainable Practices:** Insurers should leverage AI to optimize resource utilization, reduce paper usage, and adopt environmentally friendly processes.
- **Regulatory Support and Compliance:** Policymakers should create supportive frameworks to encourage AI adoption while ensuring ethical standards and data privacy.

7 CONCLUSIONS

The study concludes that Artificial Intelligence plays a transformative role in the insurance industry by enhancing operational efficiency, improving customer satisfaction, and supporting sustainability practices. While the adoption of AI is steadily increasing, the presence of challenges such as data complexity, limited funding, and lack of technical expertise continues to hinder its full potential.

However, the opportunities offered by AI particularly in automation, claims management, and customer engagement significantly contribute to sustainable development within the sector. The positive relationship between AI adoption and sustainability practices confirms that effective integration of AI can lead to long-term growth and competitive advantage.

Overall, the study highlights that with strategic investments, improved infrastructure, and skilled human resources, the insurance industry can successfully harness the benefits of AI to achieve both economic and sustainable outcomes.

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