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The 2026 Outlook

for Financial Services

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Authors and Contributors

Junta Nakai
Vice President – Global Head of Financial Services, Cybersecurity and Public Sector GTM

Marcela Granados
Global Head of Insurance GTM

Antoine Amend
Senior Technical Director, Financial Services

Cyril Cymbler
Head of Financial Services EMEA and Global Banking GTM

Ashraf Safdar
Head of Asia Pacific and Japan Financial Services GTM

Jennifer Miller
Head of Americas Banking and Payments GTM

Andrea DeSosa
Global Head of Capital Markets GTM

Rajaram Suresh
Industry GTM, Global Financial Services

Kim Hatton
Global Head Financial Services Industry Marketing

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INTRODUCTION

Why this moment of agentic AI is different

The financial services industry is undergoing a generational shift. That phrase gets used often, usually followed by a surge of pilots and inflated IT budgets. AI starts to look like the blockchain hype cycle — full of promise but rarely operationalized at scale.

This moment is different. Regulatory pressure is no longer uniform. In the U.S., deregulation under the current administration feels like a regulatory tailwind, while peers in Europe and Asia face sustained or increasing oversight. At the same time, fraud is becoming more sophisticated, customers expect personalized service, and digital-native competitors are moving faster than ever.

Financial institutions (FSIs) must rethink how decisions are made, risk is measured, teams operate, and value is created. Success now depends on how well data, AI, and people work together across the enterprise. What holds FSIs back is not access to technology; it is the challenge of operationalizing AI and data-driven decisions in complex, highly regulated environments built for resilience and trust.

Three themes, anchored in data governance, compliance, and security, define this next phase:

- **All in on data.**
  Treat data as a managed asset class, with clear ownership, governance, and an explicit "return on data asset" (RODA) mindset — evaluating the cost, quality, and yield of data with the same rigor as any other capital investment, while respecting local data residency and sovereignty rules.
- **AI-augmented work.**
  Design work so AI enhances human judgment by speeding analysis, surfacing patterns, and standardizing best practices across teams, with adoption moving at different speeds depending on regulatory comfort and labor dynamics in each region.
- **Agentic evolution.**
  Move beyond task automation to AI agents that orchestrate workflows and deliver outcomes across systems — from customer servicing to risk and finance — within control frameworks that can withstand scrutiny from supervisors in Europe, Asia, Latin America, and beyond.

This report explores how those themes play out across banking, capital markets, and insurance, and highlights the key trends that financial institutions cannot ignore on the path ahead, even as timing, constraints, and opportunities differ by market.

Junta Nakai
Vice President — Global Head of Financial Services, Cybersecurity and Public Sector GTM

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Where financial leaders are investing

The agentic era of financial services will be shaped by how firms respond to new pressures. Changes in customer behavior, data infrastructure and risk evaluation are challenging long-standing assumptions. We'll explore the forces behind these changes and highlight how forward-looking institutions are already taking action.

What sets leaders apart is a shared commitment to treating data as a core asset, empowering teams through AI and embracing intelligent systems that drive outcomes.

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Banking and Payments Trends

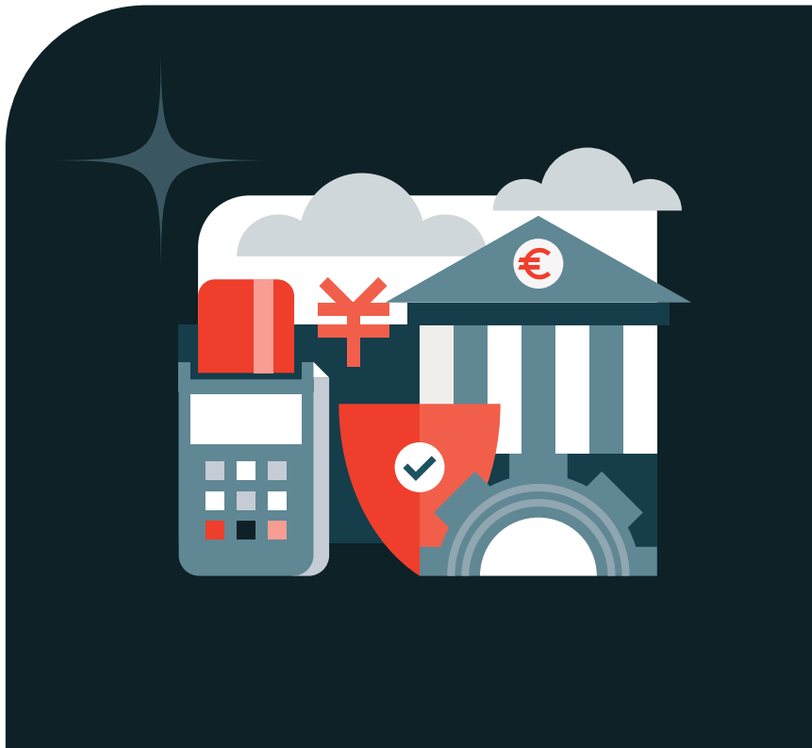
Banks and payments companies are shifting from transaction volume to intelligence as the main driver of performance.[1] Transaction growth and balance sheet strength still matter, but they no longer explain why some institutions trade at a premium while others with similar profit pools are treated as structurally ex-growth. Over the next three to five years, the gap will widen between institutions that treat intelligence as core infrastructure and those that remain volume-centric.

Three shifts define this new baseline. Real-time rails, embedded finance and digital competitors are compressing fees and weakening friction-based profit. AI and automation can remove up to 20 percent of operating costs,[2] but AI agents are creating a more immediate threat: customer-side optimization that could erase around 170 billion dollars of global banking profits by enabling continuous deposit sweeps, credit card shopping, and loyalty point redemption.[3,4,5] Banks have long relied on customers leaving excess cash in low-yield checking accounts and credit card points unredeemed;

AI agents now threaten to eliminate that behavioral inertia entirely. At the same time, regulatory supervisors expect AI-driven decisions to be explainable and auditable end to end, raising the bar on data, models and operations.[6]

Against this backdrop, four structural trends explain where value is moving in banking and payments:

- The rise of Value Added Services to balance eroding traditional revenue pools (i.e., interchange, NIM)
- Customer 360° as a necessary foundation to win wallet share and loyalty by hyperpersonalizing products, pricing & rewards
- CFO transformation to navigate a neutral rate regime, stubborn expense ratios, delicate liquidity buffers, evolving regulations
- EU sovereign cloud as a regulatory imperative and competitive differentiator



1 McKinsey & Company. (2025, October 22). Why precision, not heft, defines the future of banking.
2 Ohio CPA. (2025, November 14). McKinsey: AI adoption will trim banking industry costs by up to 20%.
3 McKinsey & Company. (2025, October 31). Agentic AI will shake up banking, shrinking global profit pools. Banking Matters.
4 Payments Industry Intelligence. (2025, October 22). McKinsey warns banks face $170 billion profit hit from rise of AI.
5 CIO Dive. (2025, October 30). AI adoption will trim banking industry costs by up to 20%.
6 Bank for International Settlements. (2024). Managing explanations: How regulators can address AI explainability.

TREND 1:

Value-added services as the primary growth engine

For revenue and marketing leaders, the shift away from pure processing isn't just a margin story, it's a go-to-market reset. Processing is becoming a low-margin utility; profitable growth is shifting to services built on top of the rails. Fee compression, intensified competition and tighter regulation have weakened the margin model that once made pure processing so attractive. Thousands of fintech and specialist entrants have fragmented the payments value chain. Neobanks like Chime and Varo offer low-fee digital banking, companies like Wise and Revolut provide direct access to payment infrastructure and software vendors such as Shopify and SAP extend working capital and commerce solutions into payments.[7]

The opportunity now lies in services that sit on top. Merchants and platforms expect integrated solutions that bundle acceptance with fraud detection, analytics, loyalty, lending and reconciliation.

Mastercard illustrates this shift: in Q3 2025, its value-added services generated roughly 3.4 billion dollars in revenue — about 40% of total revenue — growing at 25% year-over-year, more than double the growth rate of its core payment network.[8] [9] [10]

These services include AI-powered fraud scoring, merchant analytics, open banking connectivity and loyalty programs tightly integrated with Mastercard's transaction data. By delivering both infrastructure and intelligence, providers embed themselves in merchants' day-to-day operations, raise switching costs and make relationships stickier.

Stripe shows another dimension of this trend. Through Stripe Capital, the company offers working capital financing directly embedded in its payment flows: merchants can access loans or cash advances in minutes, with repayments automatically withheld as a percentage of daily sales processed through Stripe. This turns payment processing into a higher-margin financial services relationship rather than a standalone transaction utility.

For banks and payment companies, profitable growth is increasingly coming from:

- Packaging fraud, risk and identity capabilities as products
- Offering merchant and treasury analytics that monetize transaction data
- Extending lending and working-capital solutions natively into payment flows

Rails remain essential, but the winning growth strategy now belongs to the revenue and marketing teams that can package intelligence into services customers understand, value and are willing to pay for.

7 Clearly Payments. (2024, January 28). The growth of neobanks and the impact on payments.
8 Mastercard Incorporated. (2025, October 29–30). Third Quarter 2025 Financial Results.
9 Mastercard Incorporated. (2025, October 30). Q3 2025 Earnings Presentation.
10 Finextra/Fintech Wrapup. (2026, January). Deep Dive: Mastercard's Value-Added Services & Solutions.

TREND 2:

Customer 360 as foundation for personalization and risk

Customer 360 has moved from a “nice to have” reporting tool to an operational prerequisite for AI-driven banking — empowering both revenue and marketing leaders with the foundation for driving growth and managing risk in real time. On the wholesale side, institutions need to understand full credit exposure across complex organizational structures, especially in private capital, where a single portfolio company may have relationships across lending, treasury and investment banking. Without a unified view, banks cannot accurately assess concentration risk or make appropriate credit decisions.

AI has also reset expectations for every interaction, whether with a CEO or a frontline relationship manager. Leaders expect to walk into meetings with complete context: products held, transaction patterns, profitability and emerging risks. This is no longer a luxury; it is table stakes for competitive service.

Personalization has evolved beyond segmentation. Banks are moving from broad demographic targeting to one-to-one experiences that require knowing not just account details, but shopping behaviors, life events, geographic preferences and channel usage.

Leading institutions are already operationalizing this vision. American Express and JP Morgan are building unified customer views that span wholesale and retail relationships. Capital One is embedding itself into customer shopping journeys through browser and app integrations, positioning the bank where transactions happen rather than waiting for customers to return to banking apps. In Latin America, Pic Pay is embedding personalized experiences directly into WhatsApp, meeting customers in the channels they already use.

As one CMO put it

> “The days of segmentation are dead. Personalization should be one-to-one.”

A decade of investment in digital transformation and mobile banking positions these institutions to move quickly toward conversational, agent-driven experiences. Wells Fargo, Bank of America and U.S. Bank have created deep mobile apps powered by unified data; the next wave is to make those experiences conversational, where customers ask questions in natural language rather than navigating feature menus.[11] [12] [13]

For banks and payment companies, Customer 360 is now the substrate for:

- Understanding full credit exposure across complex wholesale relationships
- Delivering one-to-one personalized pricing and product recommendations
- Powering AI agents with accurate, real-time context for customer interactions
- Enabling early warning systems that flag credit stress before losses materialize

Customer 360

is no longer just a technical investment. It's a growth and engagement engine for business leaders who want to turn unified data into actionable, high-value customer experiences.

11 Celent. (2026, January 9). Bank of America Private Bank: Unified Mobile App Experience.
12 The Financial Brand. (2026, January 9). How Bank of America Unified Five Apps Into One Experience.
13 47Billion. (2026, January 9). Conversational AI: The Next Wave of Consumer Experience.

TREND 3:

CFO transformation and balance sheet intelligence

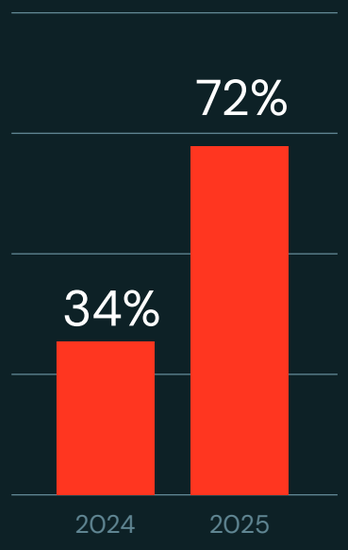
CFOs, along with cost and service leaders, are entering 2026 navigating three simultaneous pressures: rising funding costs, mounting credit stress, and AI-driven threats to core deposit and credit card margins.[14] In response, finance leaders are treating working capital as a defensive tool and shifting toward predictive, AI-enabled metrics that go beyond traditional measures like days sales outstanding. Furthermore, organizations are shifting toward bionic service models to preserve profitability by blending human expertise with AI-driven automation to optimize both cost and customer experience.

Most finance functions still rely on static, manual processes that cannot respond quickly to interest rate moves, policy shifts or liquidity shocks.[15] One large broker-dealer employs more than 100 people doing manual overnight reconciliations before trading begins each day.[16]

> KPMG's finance team faced four- to five-week reporting cycles due to manual data prep and rigid dashboard workflows; after adopting conversational AI analytics, they reduced reporting from **weeks to minutes**.[17]

These AI-augmented workflows are bionic by design with humans focusing on judgment, strategy and customer impact; while AI handles repetitive, time-consuming tasks. Automation of accounts payable and receivable workflows, acceleration of month-end close and providing real-time cash flow visibility are freeing finance and operations leaders to focus on cost efficiency and superior service delivery.

14 Deloitte. (2026, January 9). 5 trends shaping payment strategies in 2026. The Wall Street Journal.
15 Deloitte. (2024). Crunch time V: Finance 2025.
16 Databricks. (2025). Banking and payments industry trends (Internal interviews and industry research).
17 KPMG. (2025). Finance team conversational analytics case study.



The percentage of CFOs and finance leaders employing AI more than doubled from 34 percent in 2024 to 72 percent in 2025, with the most prominent applications in process automation, financial forecasting and risk assessment.[18]

SMBC and BMO are running active CFO transformation programs focused on simplifying month-end close and automating regulatory reporting so that banks can hold less cash on balance sheet and invest more to drive margin.[19] [20] [21] Truist is exploring ML-based treasury functions that use predictive models to forecast cash flows and recommend actions for asset-liability management — workflows that today are manual but will increasingly incorporate agentic orchestration with human oversight.

For banks and payment companies, CFO transformation means:

- Real-time visibility into funding costs, liquidity exposure and balance sheet optimization
- Predictive modeling that flags credit stress and capital needs before crises materialize
- Automated workflows that replace manual month-end close, AP/AR and regulatory reporting

Finance teams that master this transition will free CFOs to focus on strategy, funding conversations and capital allocation rather than spreadsheet reconciliation and data hunting.

18 KPMG. (2024). Global AI in finance report.
19 SMBC Group. (2024). Message from Group CFO.
20 BMO. (2026). 2026 BMO Treasury Playbook: Protect, Provide, Prepare.
21 Truist. (2025). Developing a Treasury Ecosystem to Propel Your Business.

TREND 4:

EU sovereign cloud as imperative and differentiator

For risk leaders in European banks, regulatory compliance is no longer a back office concern, it's a core part of how they manage enterprise risk and enable safe growth. An estimated 70 percent of major bank projects above 6 million euros in investment are regulatory compliance initiatives.[22] The stakes are existential as BNP Paribas paid 8.5 billion dollars in fines in 2014 for sanctions violations, making compliance spend less a discretionary budget item and more a survival imperative.

Sovereignty now dominates executive conversations. Every meeting with top European banking executives includes questions about sovereign cloud strategy and compliance posture. The driver is twofold: regulatory mandates and geopolitical uncertainty. DORA explicitly requires financial institutions to avoid over-dependence on single hyperscalers, mandating that a percentage of data, metadata and machine learning models be portable across cloud providers.[22] [23] European Central Bank supervisory data shows that more than 30 percent of total outsourcing budgets at significant banks is concentrated on just ten providers, the concentration risk regulators are targeting.[24]

Many institutions are over-interpreting these requirements and building overly cautious architectures that fragment data "to be safe." This approach paradoxically increases risk: fragmented data slows AI adoption, creates governance gaps, and raises long-term operational costs. The regulatory ask is for digital sovereignty — data security, portability and control — not necessarily physical isolation in sovereign-only infrastructure.

Delivering Global Risk Reports Faster at 50x the Scale

A tier-one bank in France illustrates a different path. The institution replaced its legacy on-premises Teradata environment, where risk-weighted asset calculations relied on manual Excel-based controls prone to error, with a unified, cloud-agnostic platform.

The bank now runs Basel III risk-weighted asset reporting entirely in production, handling **50 times more** data volume than before and delivering regulatory reports **one day earlier** across 180 entities in 85 countries. The compelling event was regulatory: new Basel methodologies require at least 12 times more data and the legacy system could not scale.

22 European Central Bank. (2025, November). Supervisory priorities 2026–28.
23 Yousign. (2026, January 5). DORA compliance: Financial services guide.
24 JD Supra. (2025, November 6). New ECB guide on outsourcing cloud services to cloud service providers.

The bank's approach demonstrates three principles that separate leaders from laggards:

- **Multicloud by design.** Decouple storage from compute to enable full data portability across AWS, Azure and Google Cloud without rewriting applications or retraining teams.
- **Compliance as growth enabler.** Treat regulatory requirements as design constraints, not afterthoughts, to accelerate AI adoption while meeting sovereignty mandates.
- **Unified governance at scale.** Maintain centralized lineage, access control and auditability across clouds, so regulators can trace every data transformation and model decision end to end.

For risk leaders within European banks, sovereign cloud is both a compelling event and a strategic differentiator. Institutions that can demonstrate compliance without fragmenting data will move faster on AI, attract customers seeking regulatory certainty, and avoid the operational drag of multiple siloed platforms.

How leading banks and payments providers are responding

In practice, leaders who leverage Databricks are:

- **Building value-added services:** Unlock higher-margin revenue and deepen merchant and platform relationships
- **Investing in Customer 360:** Unifying all data to power personalization, credit risk management and agentic workflows
- **Using AI to offer conversational interfaces to embedded shopping integrations:** Deliver one-to-one personalized experiences
- **Deploying AI-augmented finance teams:** Automate AP/AR and accelerate processes from month-end close to delivering intelligence for CFOs
- **Applying ML and AI to fraud:** Move to adaptive systems that can keep pace with increasingly sophisticated threats
- **Building early warning systems:** flag credit stress, concentration risk and liquidity exposure before losses materialize
- **Preparing for AI agents:** Optimize pricing, loyalty programs and deposit products to compete on value rather than inertia
- **Adopting multicloud-by-design architectures:** Meet EU sovereignty requirements while maintaining unified governance and data portability
- **Treating regulatory compliance as a compelling event:** Use data sovereignty mandates to accelerate cloud migration and AI adoption

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The path forward: banking and payments

The structural shifts reshaping banking and payments are durable. Value-added services, Customer 360, CFO transformation and EU sovereign cloud are now operational prerequisites for competitive institutions.

Executing on these trends requires governed, real-time data that supports AI in production — unified across sources with centralized lineage and access controls. Institutions that treat Customer 360 as infrastructure rather than a reporting project, that free CFOs to focus on strategy rather than manual processes and that meet sovereignty requirements without fragmenting data will move faster than those anchored to legacy silos. The window to act is now.

BANKING AND PAYMENTS TRENDS:

- Customer 360
- Value-Added Services Drive Growth
- CFO Transformation
- EU Sovereign Cloud

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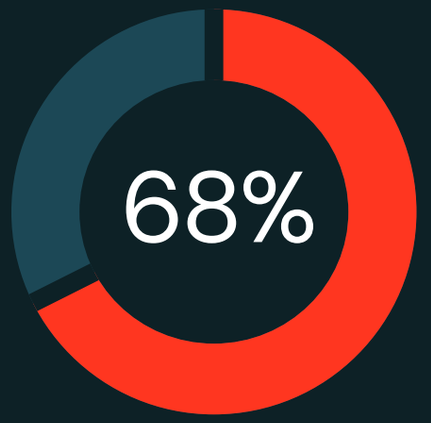
Capital Markets Trends

Capital markets firms are moving from analytics-driven insights to operationalized, agent-driven decision-making. For decades, market data distribution and consumption was largely static: direct feeds from exchanges and batch analytics supporting human traders and analysts. That model is rapidly being displaced.

Coalition Greenwich research shows that AI adoption in capital markets remains bifurcated: AI has disrupted research workflows and is embedded in major desktop platforms, but trading execution continues to rely primarily on deterministic technology, with AI concentrated in hedge funds and quantitative trading firms.[25]

Two structural trends define the next phase for capital markets:

- **AI-augmented workflows:** from manual processes to automated, agent-driven orchestration with human oversight
- **Governance and semantic data:** from fragmented data to end-to-end lineage and semantic layers that enable safe AI



Celent finds that a majority of sell-side firms plan to replace or significantly upgrade critical systems in 2026, driven by the need for agility in volatile markets and pressure to balance efficiency with growth investment.[26]

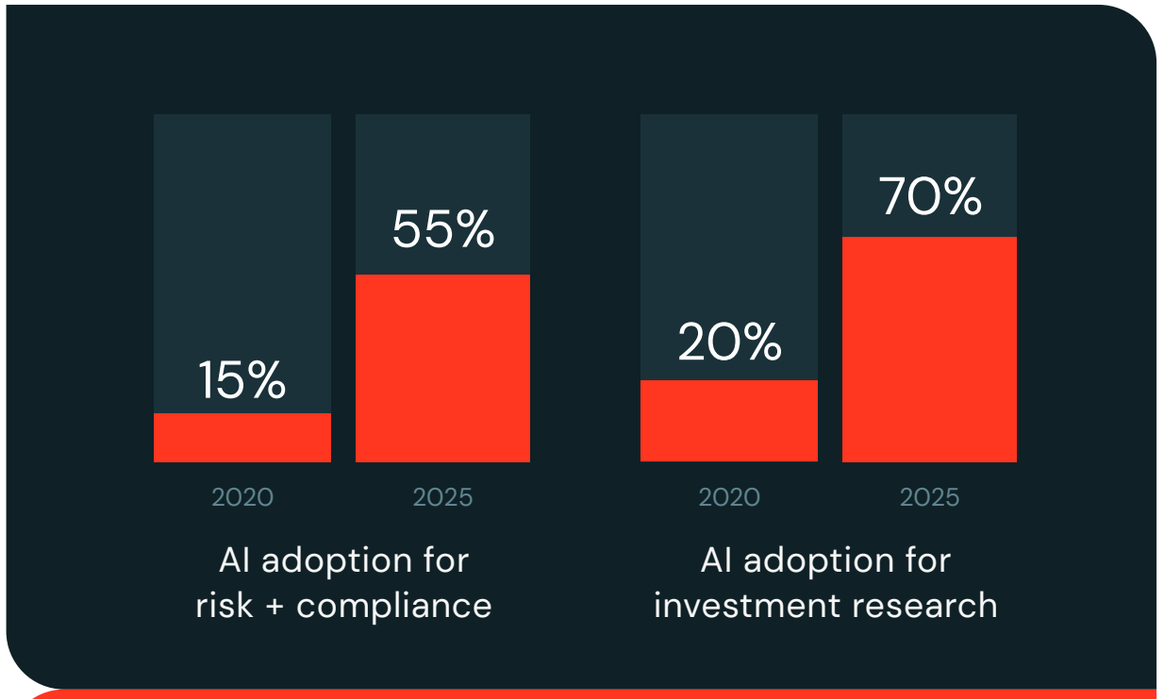
25 Coalition Greenwich. (2026, January 4). Top market structure trends to watch in 2026.
26 Celent. (2025, May 15). The acceleration of GenAI adoption.

TREND 1:

AI augmentation in research and compliance

The transformation of capital markets research illustrates the operational shift underway. Traditionally, producing a post-earnings research note required around 45 minutes of manual work: sourcing announcements, extracting figures, drafting commentary, formatting and publishing.[27] Multiplied across dozens of companies during earnings season, analysts spent more time on administrative work than on insight generation.

RBC Capital Markets addressed this constraint by building Aiden QuickTakes, an AI-powered system that automates first-draft research note creation.[27] [28] The platform ingests earnings releases, compares new figures with historical data and produces structured drafts within minutes — reducing turnaround time by 60 percent, from 45 minutes to 15 minutes per report. The system frees thousands of analyst hours annually, allowing teams to focus on client interaction, thematic research and expanded coverage. Analysts remain in full control: QuickTakes generates the draft, but humans validate, refine and add insight before publication.



Compliance & risk: From about 30% of risk/compliance professionals actively using or trialing AI in 2023 to roughly 50–55% by 2025, with AI concentrated in surveillance, AML, regulatory-change monitoring, and reporting.[29]

27 RBC Capital Markets. (2025, June 8). How RBC is using AI to transform capital markets research.
28 Emerj. (2025, October 26). Artificial intelligence at Royal Bank of Canada.
29 Datos. (2025). AI adoption in capital markets research and compliance (Aggregated analysis of GARP, Moody's, and IOSCO investment research).

London Stock Exchange Group applies similar principles to market surveillance. Its AI-powered Surveillance Guide automates the initial triage of trades flagged for potential market abuse.[30] Analysts previously spent hours manually reviewing news, sentiment and trading activity to determine whether price movements warranted full investigation. The system now automatically analyzes news sensitivity and market impact so analysts can focus on high-priority cases rather than routine triage.

Regulatory reporting follows a parallel path. For years, capital markets regulatory reporting was a manual, stitched-together process: data extracted from trading systems, risk platforms and accounting ledgers, aggregated in Excel or custom ETL pipelines, validated by humans and submitted to regulators.[31] Deloitte research indicates that agentic systems are beginning to replace this workflow, orchestrating end-to-end processes — data ingestion, validation, transformation, regulatory formatting and submission — with human oversight at critical control points.[32]

SymphonyAI reports that institutions using agentic AI for AML and compliance achieve reduced false positives, improved SAR conversion rates and faster adaptation to new regulatory requirements, with every agent action fully logged for audit.[33] The Trade News notes that agentic AI is already deployed for regtech, collateral management optimization and payments processing, with robust audit trails and oversight as critical requirements.

The goal is not full automation but augmentation

AI handles pattern recognition across vast data volumes, while human judgment remains central to final decisions.

30 AWS. (2025, September 9). How London Stock Exchange Group is detecting market abuse with their AI-powered Surveillance Guide on Amazon Bedrock.
31 Deloitte. (2025, December 23). How banks can supercharge intelligent automation with agentic AI.
32 Deloitte. (2025, December 23). 2026 banking and capital markets outlook.
33 SymphonyAI. (2025, November 30). Why regulators love agentic AI.

TREND 2:

Governance and semantic data as a foundation

Unlike consumer-facing applications, capital markets agents must operate in heavily regulated environments where every decision is subject to audit. A bank deploying an agent to automate regulatory reporting must ensure that the agent accesses only entitled data, that every decision is logged and traceable, and that output is auditable end to end.[31] [33] This is not just a data-quality problem; it is a control problem.

RBC's Aiden platform illustrates the governance foundation required. The system manages access, security and compliance across teams and systems through unified governance capabilities that are especially critical in regulated environments where trust and transparency are non-negotiable.[27] The platform unifies massive volumes of structured and unstructured data, supports real-time processing and maintains end-to-end lineage from data ingestion through analysis to content generation.

A semantic layer provides business context, enabling AI agents to distinguish between entities with multiple meanings, connect data across siloed systems such as ERP and CRM and reason contextually rather than syntactically.[36] [37] Without semantics, AI is prone to errors and hallucinations; with semantics, enterprises provide AI with the context needed for reliable results.

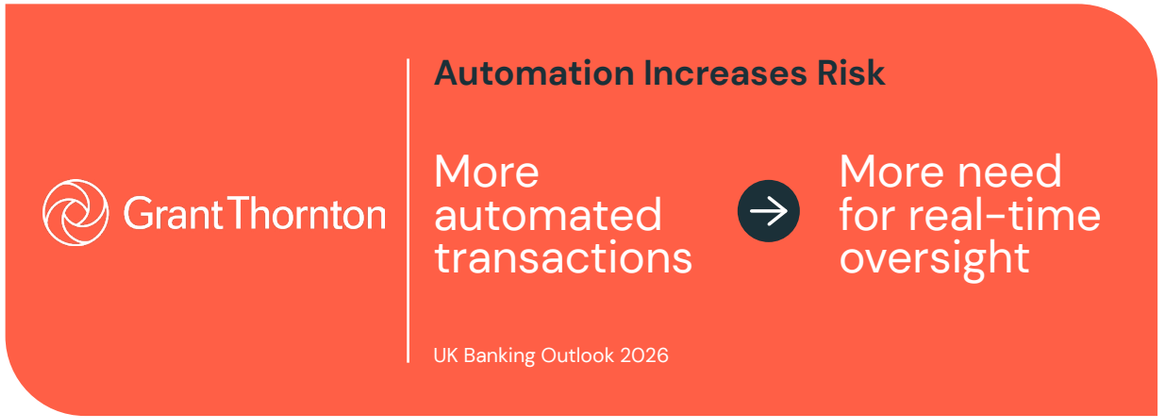
The semantic layer has emerged as a strategic necessity for agentic AI.

Gartner emphasizes that semantic layers are now the connective tissue between data platforms, AI agents and business logic.[34] [35]

34 Dremio. (2025, December 15). Universal semantic layer.
35 Gartner. (2026). Semantic layers: The foundation of intelligent data architecture. Industry research.
36 The Data Exchange. (2025, September 23). How to make your data truly AI-ready.
37 nCino. (2025, December 16). Agentic AI in banking: How autonomous AI is transforming FIs.

Gartner's 2026 Magic Quadrant for Data and Analytics Governance Platforms underscores that governance systems must now support unstructured data, data products and AI model governance — not just structured data.[38] [39]
The quadrant evaluates vendors on policy-setting capabilities such as business-level modeling, role management and workflow automation, as well as policy-enforcement capabilities such as semantic modeling, deep lineage and AI-driven orchestration, connected across data management systems. The shift reflects real-world buyer demand for unified governance across all analytical assets, rather than fragmented tools for different data types.

Grant Thornton's 2026 outlook for UK banking and capital markets highlights that transaction execution has become increasingly automated, making real-time oversight across the front-to-back lifecycle critical.[40] The FCA's multi-firm review of algorithmic trading controls found weaknesses in governance, testing frameworks, surveillance and oversight — underscoring that technology alone is insufficient without robust control frameworks.



38 AtScale. (2026, January 7). Semantic layer solution - BI & data & analytics software.
39 Ataccama. (2026, January 8). Gartner Magic Quadrant for data and analytics governance platforms 2026 explained.
40 Grant Thornton. (2026, January 6). Top themes for banking and capital markets in 2026.

How leading firms are responding

In practice, leaders who leverage Databricks are:

- **Building AI-augmented workflows** with human-in-the-loop oversight, such as RBC's 60 percent reduction in research turnaround while keeping analysts in control and LSEG's automated surveillance triage
- **Treating data governance and semantic layers as operational prerequisites**, not compliance checkboxes, with platforms like Aiden maintaining unified governance at scale
- **Implementing end-to-end lineage and auditability** so every agent action, data source and decision can be traced, turning "black box" AI into "glass box" systems regulators can assess with confidence
- **Maintaining robust oversight frameworks** across agentic systems, including audit trails, activity logs and action determination to prevent unintended agent collaboration
- **Prioritizing semantic data modeling** as strategic infrastructure, enabling consistent data interpretation across domains and reducing AI hallucinations
- **Replacing legacy systems with unified, cloud-native platforms** to gain agility and operational efficiency in volatile markets

B3 BRASIL BOLSA BALCÃO

RBC Capital Markets

STATE STREET

The path forward: capital markets

Capital markets are entering a phase where AI augmentation, governance and semantic data must coexist rather than compete. The firms moving fastest treat governance as an enabler, not a constraint; build semantic layers as strategic infrastructure; and deploy AI to augment expert judgment rather than replace it.

RBC's 60 percent reduction in research turnaround time, LSEG's automated surveillance triage and SymphonyAI's fully auditable compliance agents show that the technology is production-ready. The constraint is not capability; it is governance, lineage and semantic alignment. Firms that establish these foundations now will scale AI safely and sustainably, while those that delay will find themselves bottlenecked by fragmented data, manual controls and regulatory exposure.

Insurance Trends

The insurance sector is entering a period of sustained volatility driven by three structural forces: economic shocks distorting life and annuity portfolios; climate volatility triggering catastrophe events with greater frequency and severity; and policyholders expecting omnichannel experiences shaped by digital-native competitors and real-time services in other industries.[41] To manage capital, price effectively, predict loss and serve policyholders profitably, insurers must reinvent both their business models and their data foundations.

Insurance has long depended on historical data to estimate future exposure. That logic is breaking down. Rising interest rates are exposing blind spots in legacy pricing models. In property and casualty, climate volatility is triggering events with greater force and less warning, prompting some carriers to pull out of entire regions where risk can no longer be priced sustainably.[42] Structural uncertainty is setting in. Traditional models cannot keep up with dynamic, interconnected risks. Insurers need more adaptive approaches — fresher data and flexible analytics — to understand exposure, guide reserves and manage capital in real time.

Two structural trends are now shaping where value moves in insurance:

- **Omnichannel underwriting and real-time risk pricing:** from channel-centric to customer-centric, meeting policyholders where they are while adapting pricing to evolving climate and economic risk
- **Data mesh and domain-driven ownership:** from centralized data lakes to decentralized, governed data products that enable speed, scale and unified customer intelligence

41 Databricks. (2025). Insurance trends (Internal interviews and industry research).

42 Nationwide. (2026, January 11). AI Innovations Transforming the Insurance Sector. Agency Forward (Nationwide Agent Blog).
Zurich Media Release. (2025, October 28). Zurich Is Reimagining the Future of Insurance with Ambitious New AI Lab.
iTnews. (2024, September 8). Suncorp Builds Generative AI Engine 'SunGPT'.
Insurance Business Australia. (2025, June 15). AI Takes Bigger Role in Suncorp's Strategy.

TREND 1:

Omnichannel underwriting and real-time risk pricing

Generational preferences are reshaping how customers buy insurance and how insurers serve them. Millennials and Gen Z expect digital-first experiences — instant quotes, easy claims, transparent pricing — while still wanting human touchpoints for high-stakes decisions like reporting major losses or planning retirement products.[42] Policyholders are shopping not just for price but for value, comparing options in real time and expecting personalized recommendations tied to their life journey.[41]

Research from Convin indicates that **69 percent** of consumers research insurance online before scheduling appointments with agents and **90 percent** of CX leaders report positive ROI from self-service platforms.[43]

Yet the challenge is real: a PwC study found that over 80 percent of customers would switch carriers without a user-friendly digital interface and one poor experience can make a third of customers leave a trusted brand.[44] Insurers that meet customers where they are — digital channels for routine tasks, advisors for complex decisions — will capture disproportionate lifetime value.

From Proxies to Observed Behavior

Progressive Insurance pioneered the shift from static rating based on credit scores to real-time risk assessment using telematics and IoT sensors.[42] The company tracks harsh braking, acceleration patterns and driving times — moving beyond proxies to direct observation of actual behavior. The usage-based insurance market is growing at 27.7 percent annually through 2030, driven by consumer demand for transparency and fair pricing.[45] But the data challenge is immense: telematics data is unstructured, high-volume and arrives in real time. Legacy data warehouses cannot handle the variety, velocity and volume.[42] Progressive's investment in modern data platforms became critical to operationalizing this shift at scale.

43 Convin. (2025, November 2). The future of insurance customer experience: Meeting new customer demands.
44 Fusion CX. (2025, July 19). Digital CX in insurance—Trends for 2026 and beyond.
45 Markets and Markets. (2025, November 17). Usage-based insurance market size, share & analysis.

The Lemonade Lesson

Lemonade Insurance demonstrated the opportunity — AI-first underwriting, instant policies and lifetime customer value through moment-of-truth personalization.[42] The core insight was elegant: capture customers young and upsell coverage as their life circumstances change. An 18-year-old renting an apartment becomes a homeowner buying pet insurance; later, they need life insurance.[42] But execution proved harder. Despite rapid customer growth and an IPO, Lemonade has operated at significant losses with combined ratios above 100 percent.[42] The fundamental challenge: without long-term loss development data, predicting losses is difficult and processing unstructured data (telematics, call transcripts, behavioral signals) requires sophisticated ML and GenAI models that need constant refinement.[42]

Nationwide: Balanced Omnichannel at Scale

Nationwide demonstrates how to thread the needle. They built a segmented product strategy: telematics-based auto for digitally-savvy millennials; traditional underwriting with high advisor touchpoints for older customers.[42]

They harmonized data across legacy systems, created a medallion architecture for regulatory reporting and self-service analytics and plugged in external data providers (AccuWeather, telematics partners, credit bureaus).[42] The result: agility to launch new products without rebuilding infrastructure, with data ready and people trained to adopt new tools.

The lesson is clear

Digital natives move fast, but profitability depends on data quality, model sophistication and loss development experience.

TREND2:

Data mesh and domain-driven ownership

Insurance data strategies have historically followed one of two patterns: monolithic data lakes managed by central teams (creating bottlenecks), or fragmented departmental systems (creating silos). A third approach is emerging: the data mesh.

The data mesh model treats data as a product, owned by domain experts (underwriting, claims, customer service) rather than a central IT function. Each domain owns its data end-to-end collection, quality, governance and exposure through governed APIs.[46] This decentralizes speed while maintaining enterprise governance.

Zurich: Data Mesh as Strategic Foundation

Zurich Insurance built a data mesh with autonomous data domains that own their data and expose it through governed APIs.[42] This enables domain experts to move fast and avoid centralized bottlenecks.[42] By implementing data mesh across geographies and business lines, Zurich created replicability of business processes, rules and models while maintaining regional autonomy — essential for a global insurer.

Suncorp: Customer 360 as an Operating System

Suncorp deployed SunGPT, a large language model layer on top of their Customer 360 foundation that enables policyholders, agents and internal staff to query data in natural language without SQL or dashboards.[42] They architected this using multi-agent frameworks with orchestration, tracing and evaluation built in from the start.[42] This disciplined approach to agent governance — ensuring traceability, oversight and human verification — remains essential as insurers move toward automation.

By unifying customer data from multiple touchpoints, insurers create a holistic view that powers personalized underwriting, churn prediction and lifetime value estimation.[47]

A unified Customer 360 enables omnichannel service: agents have complete context; AI powers real-time recommendations; risk teams assess cross-policy exposure in seconds.[48]

46 Databricks. (2025). Insurance trends (Internal interviews and industry research).
47 Databricks. (2025, February 11). Customer 360 reference architecture for insurance.
48 LinkedIn. (2026, January 8). Insurance CX 2026 and beyond: From fragmented systems to a unified customer view.

How leading insurers are responding

In practice, leaders who leverage Databricks are:

- **Building omnichannel strategies** segmented by customer preference and product complexity. Progressive uses telematics for digital-savvy customers; Nationwide serves older customers through advisors.[42]

- **Adopting real-time catastrophe models** with dynamic pricing based on current climate and economic data. KatRisk, Fathom and Moody's models support 10-meter to 1-kilometer resolution and climate scenario integration.[49]

- **Investing in data mesh architecture** with domain ownership and governed APIs. Zurich and leading insurers shifted from centralized data lakes to decentralized domains.[42 50]

- **Unifying Customer 360** as the foundation for personalization and cross-selling. Customer 360 powers churn prediction, upsell identification and lifetime value estimation.[42 47 48]

- **Layering natural language access (LLMs)** on top of unified data foundations, with governance and human oversight. SunGPT enables intuitive data queries while maintaining full traceability.[42]

- **Integrating external data providers** (weather, telematics, credit, market data) into core underwriting and pricing systems. This enables agile product launches and access to data when historical experience is lacking.[42]

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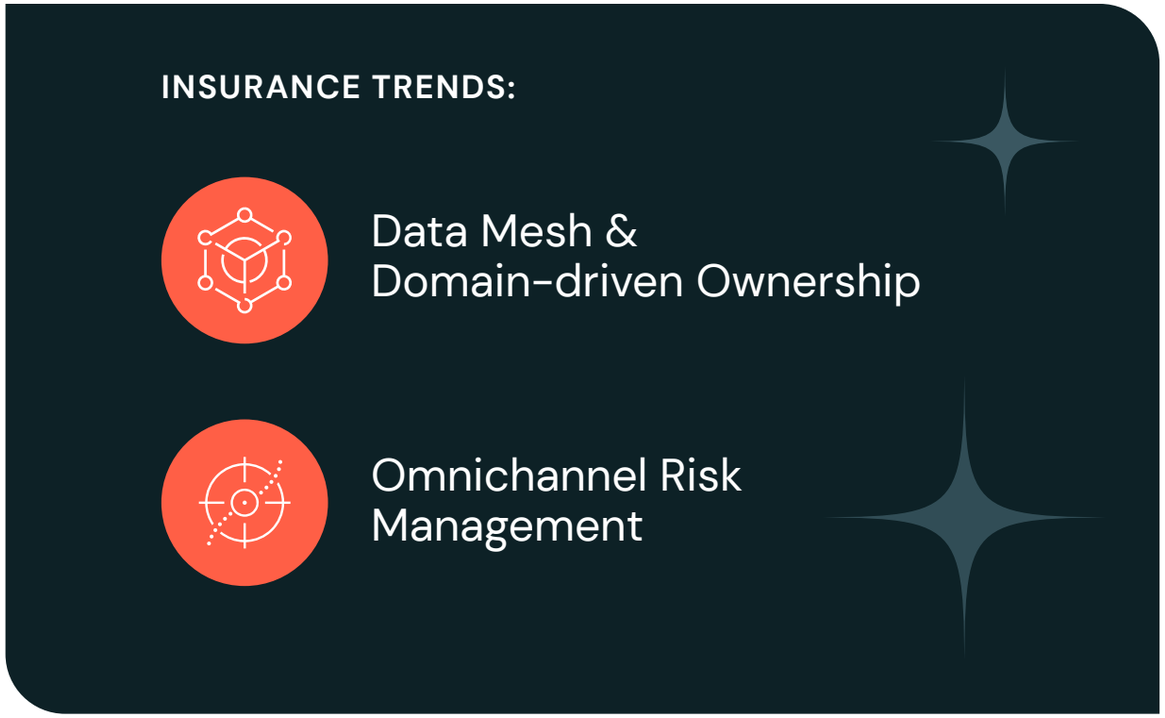
49 KatRisk. (n.d.). Catastrophe risk modeling.
50 Alphaleo. (2025, October 31). Reinventing data strategy for a global insurance leader.

The path forward: Insurance

Insurance is entering a phase where omnichannel service, adaptive risk pricing and domain-driven data governance must coexist. The carriers moving fastest are those that treat data as product, segment customers by preference and adapt pricing in real time as risk evolves.

Progressive's shift to observed behavior, Nationwide's balanced omnichannel approach, Zurich's data mesh and Suncorp's natural language data access demonstrate the foundation exists. Yet Lemonade's cautionary tale reminds the industry that speed without substance is a trap. Digital natives and incumbents alike must grapple with data governance, loss development experience and operational rigor.

The carriers that establish strong data foundations now will scale profitably in an age of unpriced risk. Those that delay will find themselves unable to price accurately, serve omnichannel customers effectively or deploy AI safely at scale.



Conclusion

Financial services is entering a phase where incremental change is no longer enough. The pressures reshaping the industry are structural, requiring more than better tools — they demand a deliberate shift in how data, AI and people work together to drive outcomes.

Leading institutions aren't waiting. They're building optionality through open standards, interoperable platforms and trusted data foundations. They know tools will change, but usable data will only grow in value.

To respond, leaders must focus on three priorities:

Align on value and priorities.

Work with the C-suite to identify 3–5 high-impact use cases where data, AI and agents can unlock tangible revenue, cost or risk benefits. Ensure you determine which bets are strategic versus table stakes.

Build the data and platform backbone.

Form a cross-functional team to design an architecture that treats data as a true asset, with clear ownership, governance and return expectations. From there, define a 12–18 month roadmap for unified, real-time and interoperable data.

Redesign work around AI and agents.

Establish an AI Center of Excellence to own agent standards — from risk guardrails to human-in-the-loop design. Launch 2–3 lighthouse programs with AI-augmented teams and agents, tracking value with the same rigor as capital investments.

The agentic future rewards first movers.

Databricks provides the unified data, governance and AI platform financial institutions need to move from experimentation to execution. Contact us to begin your agentic journey.

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