SAP Fioneer

How banks and insurers should identify and manage AI use cases

SAP Fioneer Whitepaper

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Introduction

We believe there are numerous use cases for AI in banking and insurance finance. But which ones are the most profitable and worth implementing?

While an insurer's or bank's leadership team may understand the need to innovate, they may not see AI's full potential or the need to prioritize its adoption, leaving banks and insurers at risk of falling behind. This puts the modern banking and insurance CFO in a difficult position. Not only do they need to identify the right use cases that can help them solve some of their more pressing operational, reporting, and accounting needs, but they also need to decide which AI applications are the most valuable for business performance to gain buy-in.

So, how can banks effectively identify and manage AI use cases to maximize value and drive transformation?

As experts in bank and insurance technology solutions, we know how to identify specific AI use cases that help banks and insurers reduce costs, save time, and enhance profitability while mitigating risk.

This whitepaper provides a framework for financial services and insurance (FSI) CFOs to effectively identify and manage AI use cases, enabling them to prioritize valuable applications and gain leadership buy-in for AI transformation.

Identifying and implementing the right use cases

AI holds the potential to reduce costs, save time and enhance profitability for banks and insurers in a number of financial applications.

	Potential impact of AI	Ease of integration
Treasury	Increase the accuracy of cash flow and liquidity forecasts,helping reduce risk of any liquidity issues. It'll also have a direct impact on revenue and profitability.	A complex use case for AI to implement due to the high number of data sources across different databases, stringent regulatory oversight and its critical role in decision-making.
Financial Planning & Analysis	Risk reduction, providing better insights to the bank on performance. Simulating and testing different scenarios will better prepare finance professionals.	This use case can be complex to implement due to the extensive integrations required across multiple banking functions to deliver the most relevant insights.
Accounting	Conserve significant energy and resources by minimizing manual tasks. Reduce human errors and allow finance professionals to dedicate more time to analysis.	May be complex due to the significant shift from a spreadsheet-based process to an AI-driven approach. For audits, implementation may be more straightforward.
Risk Management	Utilizing Generative AI provides enhanced accuracy in fraud detection as well as fraud professionals' ability to adapt to evolving tactics more swiftly and effectively.	Given that many banks already have predictive AI systems in place for analyzing and preventing fraud, the implementation of a more advanced AI tool should be easier to integrate.
Compliance	AI can streamline this process, enabling finance professionals to save time and resources by automating these mappings and generating reports.	One of the easiest areas to start with. Co-pilot models can be effectively utilized to provide significant benefits, even if it is simply used to compare old and new regulations.
ESG	The impact of AI on helping banks manage ESG is significant as it enables them to better understand and comply with current regulations, ultimately saving time and resources.	Implementation is relatively straightforward, as a co-pilot model can make a significant impact by clarifying current ESG regulations and assisting banks in developing a compliant framework.

Which use case should institutions begin with? How can they evaluate which one makes sense to get started with?

The first step is to make the business case for AI.

Making the business case and getting buy-in from leadership

You may have probably already heard your board ask, "What are we doing about AI?". This reflects a positive trend, indicating their interest in the technology and a readiness to explore its potential.

However, FSI professionals will still be tasked with putting together a business case. This will include presenting the use cases, estimating a return on investment and having a clear plan to monitor results.

The pushback finance professionals will get internally will likely revolve around:

The cost of adoption

It's no secret that implementing AI and hiring AI experts can be expensive.

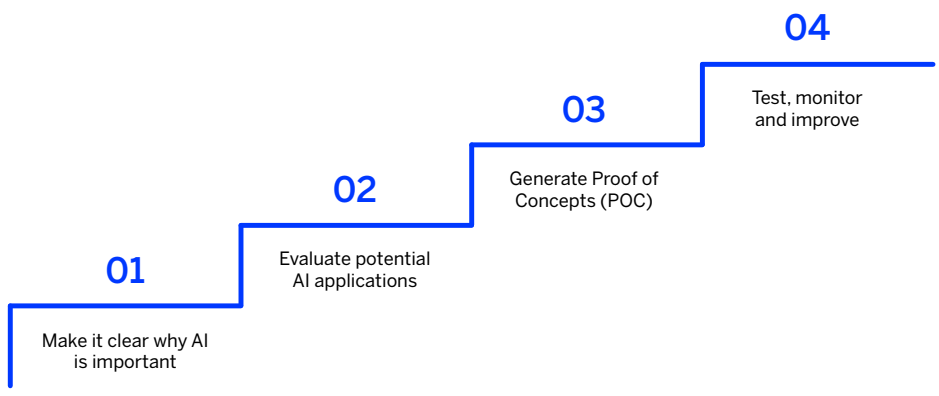
Sunsetting technology and change management

Transitioning away from platforms can be costly, and downsizing personnel may also raise concerns.

The expected ROI

Leadership will want to see the return on investment for AI initiatives due to the substantial costs involved.

There are four key aspects to putting together a business use case for AI:



01 Make it clear why AI is important

To start off with, banking and insurance professionals will need to make it clear why AI is an important technology to implement and its potential to the organization:

- AI is here to stay. Organizations are already implementing it to gain a competitive edge. If a bank or insurer chooses not to implement AI, it risks lagging behind its competitors.
- The current tech infrastructure is insufficient to handle the volume and complexity of data that banks and insurers manage. Humans can't process it fast enough to meet reporting needs, regulatory rules, performance demands, and reserving and capital allocation decisions. AI is becoming essential just to remain competitive and compliant.
- In the current competitive job market, top talent, particularly in bank and insurance finance and technology, wants to work at forward-thinking, innovative organizations. Implementing AI can signal to potential employees that an institution is at the cutting edge of the industry.
- AI reduces operational costs by automating repetitive tasks such as financial close, reconciliation and regulatory reporting. Moreover, powerful AI allows banks and insurers to scale their operations without a linear increase in expenses (by hiring more people for admin tasks, etc.)
- Banks and insurers are becoming data companies. The FSI CFOs and CEOs who understand this will be successful.

02 Evaluate potential AI applications

The next step is to evaluate various use cases (the ones in this whitepaper are a good place to start) that align with the bank's and insurer's strategy and identify the relevant applications to the organization. If there's a worry about risk, it makes sense to start with non-customer data to reduce the chances of breaches.

The financial reporting and regulatory compliance use case is one of the best to begin with. Banks and insurers spend significant time creating reports, reconciling data, and preparing information for regulators. These processes are resource-heavy across the board, from financial statements to product-level reporting.

AI can simplify this first wave of work while laying the groundwork for more complex use cases. When a solid back-end database is in place, AI can pull live data and populate templates for reports, claims, or policy-level financial summaries. This not only speeds up reporting and reduces manual errors, it also frees finance teams to focus on higher-value tasks instead of repetitive formatting and data gathering.

Here are a few questions finance professionals can ask themselves when evaluating AI applications:

- What resources would it require to deploy this use case?
- What is the expected timeline for implementation and seeing results?
- What are the specific pain points in our current processes that this AI will solve for?
- What are the data requirements for this AI use case? Will it require NPPI data?

In BCG's article on the GenAI roadmap for FIs, the authors recommend thinking about AI as a tool to reinvent entire workflows instead of point-solutions. When building a business case, it makes sense to focus on just one solution – but at this stage finance professionals should already be thinking about what a better process would look like with both AI and human roles optimized for value.

> It’s essential to begin by understanding user problems and needs, ensuring that AI solutions genuinely add value. The goal should never be to implement AI for its own sake, but rather to enhance user experiences and outcomes.

Antonia Kreft
Senior Service Designer

03 Generate Proof of Concepts (POC)

Creating POCs will help employees visualize how their work would happen with an AI Agent component, making it an essential step to securing buy-in from the whole team.

A good starting point is implementing the co-pilot model, which allows users to experiment with AI without replacing entire processes. This model enables employees to interact with data systems, while retrieving and analyzing data more efficiently and accurately.

When developing a POC for a use case, product managers tasked with creating the new product should leverage information from existing product information to demonstrate more easily how the AI use case will improve costs, timeliness, accuracy, and streamline repetitive processes.

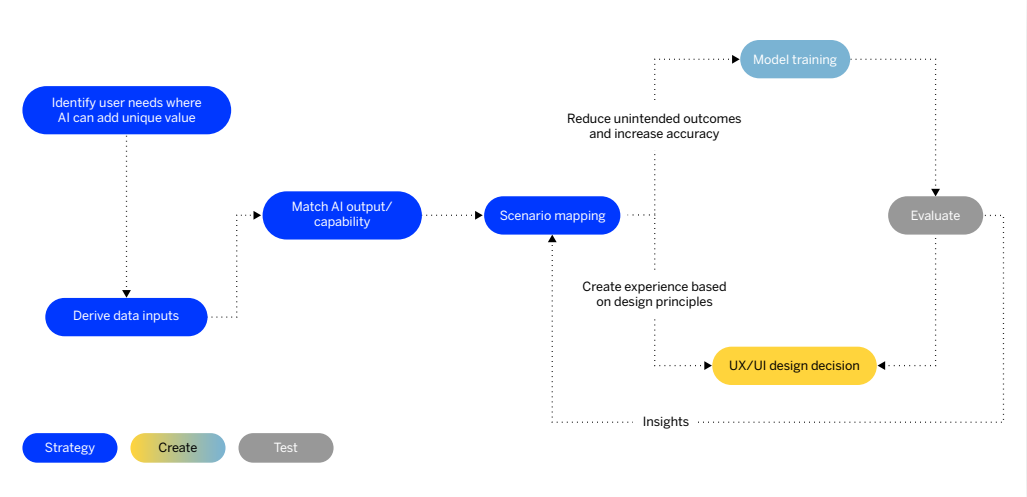
To address security concerns, product managers should initially use AI that ensures data privacy or works in conjunction with another AI to anonymize NPPI.

04 Test, monitor and improve

Once a POC is initiated, it's essential to track the right metrics to ensure the benefits, prove the value of the adoption of AI in an existing process, and justify the costs. The goal is to ensure the AI use case delivers real value and that the results can be quantified.

Some potential metrics to evaluate

SAP Fioneer's AI innovation process



At SAP Fioneer, we have established our own development process to identify the use cases where AI can provide the most value and then our own innovative process to make sure we build successful AI products.

In our experience, developing an AI solution does not adhere to the same processes as traditional technology projects.

A typical software development project is usually quite linear: you find a persona, then a problem, then build a solution. However, with AI, you're working with a "Pandora's box" filled with many potential use cases. The challenge lies in identifying the right use cases where AI's potential can be harnessed efficiently and compliantly.

> Normally, when you do a development project or where you create a product, you remain focused on one persona. With AI, we had 50 personas, because an LLM can not only solve the problems of the financial controller, but of many other professionals.

Daniel Stefani
Senior Project Manager

We'll walk through our own innovation process that led to the creation of SAP Fioneer's AI Agent, which we will describe in more detail in the next section.

01 Use case discovery

The initial step of our journey involved conducting interviews and research within the finance departments of financial institutions. We decided to start with a data analysis use case, with the persona being financial controllers. This would simply be a starting point for the project, and we would look for other use cases the AI Agent would be able to solve later.

We saw that financial controllers faced several challenges, including:

- Managing a substantial manual workload with many errors
- Lacking a centralized place to visualize all the necessary data
- Needing proficiency in SQL to navigate and query databases
- Having to switch between multiple queries and reports to retrieve all the information they needed
- Lacking flexibility to slice and dice the data as needed which would lead to slower or less reliable decision making as data was difficult to access

Through discussions with potential users, we identified a particular pain point that posed significant challenges and could effectively be addressed with technology: how difficult it is to identify anomalies in reconciliations and reports.

We found that financial controllers often had to contact technical experts proficient in SQL or in the database system to gather the data required before doing any analysis. If any data was missing, this entire process had to be repeated which could cause many delays.

We set out to build a solution that would solve this use case, so financial controllers could access SQL data via natural language without having to involve a technical expert.

02 Discovery Sprint

It is easy to fall into the trap of implementing AI simply for the sake of having it.

We recognized the importance of avoiding that trap, not only because AI can be costly, but also because our goal was to develop a practical solution that would genuinely enhance results. Without tangible benefits, the investment simply isn't justified.

At this stage of the process, we evaluated other technology solutions such as a Business Intelligence (BI) or data virtualization tool. We staged various scenarios to see how different solutions would help financial controllers better access the data. Ultimately, we decided that an AI Agent was the most effective solution.

03 User validation

Once we agreed on using AI, we began to evaluate what different data sources would be required to start training the model. We defined various features with our multidisciplinary team, including UX designers, design strategists and service designers.

We mapped different tasks and identified scenarios where we envisioned AI assisting the user. Based on this analysis, we were then able to develop the AI model and train it to perform specific actions. We also worked on designing a user experience that would be intuitive for the user. This process was then followed by rapid prototyping to validate the value proposition.

04 Iteration and model training

Once the AI Agent was live, we let users test the model to assess how it works and get feedback on any errors or other capabilities we needed to incorporate. Specifically, we asked feedback on:

- Which features they expected to work correctly
- Which features they anticipated might fail

This feedback allowed us to support clients on training the system and empowering users to use the AI Agent when necessary.

Harnessing AI to drive value

It's clear that a structured approach is critical for ensuring the successful deployment of AI-driven solutions.

Developing a business case is essential to securing leadership buy-in. To do this successfully, bank and insurance CFOs will need to outline the competitive disadvantages of not adopting AI while generating proof of concepts, like a co-pilot AI model that allows for first-hand experimentation.

To identify the use cases that bring the most value, CFOs can adopt a discovery framework. Through internal discussions, interviews and research, CFOs can pinpoint recurring challenges within one area of FSI finance and hypothesize various technological solutions to decide if AI is the right answer. Banks and insurers can then map out and validate the AI value proposition, and test and train the model on this one use case, before iterating this process for other areas of the business.

By embracing a structured approach and taking decisive action, banks and insurers can harness the power of AI to optimize crucial areas like reporting while securing a leading position in the rapidly evolving financial landscape.

SAP Fioneer

About Fioneer

SAP Fioneer provides software solutions for banks and insurance companies: built on rock-solid technology and bold creativity.

In 2021, a group of financial services experts at SAP realized their clients needed a faster, more flexible partner that could move at their pace, adapting to the fast-changing landscape. Joining forces with entrepreneurial investor DEDIQ, SAP Fioneer was born – a start-up with the weight of a global software company behind it.

Get in touch

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