Digital Insurance

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Agentic AI and Capability Debt: The Strategic Crossroads for Insurance Carriers

Partner Insights from

DXC TECHNOLOGY

Agentic AI is poised to transform the insurance industry, but not all carriers are equally prepared for the shift. While early adopters are moving quickly to embed AI-driven autonomy across the value chain, others are facing a significant obstacle: capability debt.

This accumulated debt—built over years of short-term fixes and siloed improvements—is now the biggest barrier to adopting transformative capabilities like Agentic AI. Without a deliberate strategy to eliminate this debt, many insurers risk falling behind in the race to modernize.

“Agentic AI is not just another wave of digitalization, it’s a structural reset,” says Bill Pieroni, Global Head of Insurance Strategy & AI at DXC Technology, a global IT services company. “Carriers that achieve autonomous orchestration will compete on speed, precision, and adaptability. Those mired in high capability debt have effectively mortgaged their future.”

Agentic AI enables intelligent, self-directed agents to perceive context, make decisions, act independently and learn iteratively. Unlike automation tools, these agents aren’t limited to basic task execution, they can handle complex workflows and strategic decisions, improving continuously through feedback loops.

According to a recent Celent survey, **44% of North American insurers have a generative AI solution in production**.[1] Yet trust remains low—only 4% of insurers say they fully trust agentic AI today[2]. That trust gap reflects the scale of change Agentic AI requires, not just technologically, but across processes, roles, and business models.

The Hidden Burden: Capability Debt

So why aren’t more carriers moving faster? The answer often lies in capability debt, which is the structural deficit embedded within an organization’s technology, organization, and process.

These are not one-off inefficiencies. They are systemic issues caused by years of tactical decisions made without long-term sustainability in mind. Though they don’t appear on a balance sheet, their impact is deeply felt. Capability debt limits strategic flexibility and operating adaptability, driving high cost of change and while not allowing for innovation.

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Over time, this debt compounds. A DXC analysis of 200 insurers shows that those with low levels of capability

[1] https://www.hyland.com/en/resources/articles/agentic-ai-in-insurance
[2] https://www.insurancebusinessmag.com/us/news/technology/insurers-making-the-turn-to-agentic-ai--report-543166.aspx

debt delivered nearly twice the growth, profit, and shareholder returns compared to industry averages over a 10-year period.

What Capability Debt Looks Like

1. **Technology Debt**
   Legacy systems are often siloed, brittle, and difficult to integrate. These platforms are slow to adopt modern capabilities and lack the flexibility needed for autonomous AI agents to function effectively.

2. **Organizational Debt**
   Outdated hierarchies, rigid governance models, and misaligned incentives hinder cross-functional execution. Collaboration becomes difficult, slowing down innovation.

3. **Process Debt**
   Manual, fragmented workflows built for legacy environments limit speed and consistency. These bottlenecks disrupt the kind of real-time, dynamic decision-making Agentic AI thrives on.

How to Overcome Capability Debt

Agentic AI requires a connected, responsive operating environment, not just in IT, but across the entire enterprise. Agents need standardized, rule-based frameworks, alignment between roles and outcomes, and the freedom to operate autonomously across functions.

Without addressing capability debt holistically, carriers won't unlock the full value of Agentic AI. The good news? Capability debt isn't a dead end. Carriers can accelerate readiness through collaboration, integration, and strategic partnerships.

"The fastest path to readiness isn't building everything from scratch, but rather it's leveraging proven platforms and ecosystem partners," says Pieroni. He also added that DXC's "Protect, Extend and Transform" offerings are tailor-made to address capability debt.

DXC Technology offers targeted modernization strategies that help insurers overcome legacy limitations without needing to replace core systems. These include:

- Converting outdated infrastructure into agile, extensible platforms
- Integrating fragmented systems through APIs, data layers, and cloud scalability
- Enabling real-time, autonomous operations with agentic capabilities

By addressing technology, organizational, and process debt simultaneously with partners such as DXC, carriers will be adequately positioned to deploy and scale Agentic AI efficiently.

"We help carriers move beyond incremental change," says Pieroni. "Our solutions create the flexible backbone required for autonomy, scalability, and sustained performance."

The bottom line is Agentic AI is becoming a present necessity. The carriers who lead in adoption will redefine industry benchmarks in speed, efficiency, and customer experience. DXC's quantitative research uncovered that agentic carriers will have 15-25% lower underwriting expenses and 15-20% improvement in claims expense. Those who lag behind, burdened by capability debt, will struggle to stay competitive.

"Eliminating capability debt is no longer optional. It's a strategic imperative," says Pieroni. "In the Agentic Age, performance gaps will only widen and readiness will define relevance."

Explore more and discover the future of insurance operations here.

About DXC Technology

DXC Technology (NYSE: DXC) is a leading global provider of information technology services. We're a trusted operating partner to many of the world's most innovative organizations, building solutions that move industries and companies forward. Our engineering, consulting and technology experts help clients simplify, optimize and modernize their systems and processes, manage their most critical workloads, integrate AI-powered intelligence into their operations, and put security and trust at the forefront. Learn more on dxc.com.