Artificial Intelligence in the insurance industry

Introduction:

Over the last few months artificial intelligence has broken out into the mainstream media with chatGPT, the AI that can do your kids homework for them. However, chatGPT is only part of a very big story.

AI (once the preserve of giant tech companies) has become commercially viable for many small and medium enterprises. It can be assumed that companies deploying AI will steal a competitive advantage over those that ignore the technology. In fact with regards to customer services and administration, there will be seismic changes in working practices as AI replaces humans.

Industry sectors that are most likely to experience radical change due to the implementation of AI are: accountancy, banking, insurance, health care and some creative arts – to name just a few.

AI in the insurance industry:

Insurance is mainly price driven in terms of winning and retaining customers. The highly competitive nature of the market leaves little or no opportunity for brokers or insurance companies to charge more than the next firm on the potential customer's call, or comparison site list.

As pricing allows little room for manoeuvre, reducing the cost base is the main strategy towards increased profitability. As insurance is an administrative business, reducing the cost base basically means reducing the number of staff by replacing them with technology.

There are already numerous systems that can support the administrative burden, but AI powered systems have the potential to replace human involvement altogether.

Finally, AI has the ability to provide the interface with both customers and suppliers. Over the next few months we are going to see AI powered advisors, in the form of interactive avatars, providing basic customer service functions.

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Deploying AI:

The core of any AI deployment strategy is not try to do everything all at once. Insurance broker and company business models can be divided into three sections.
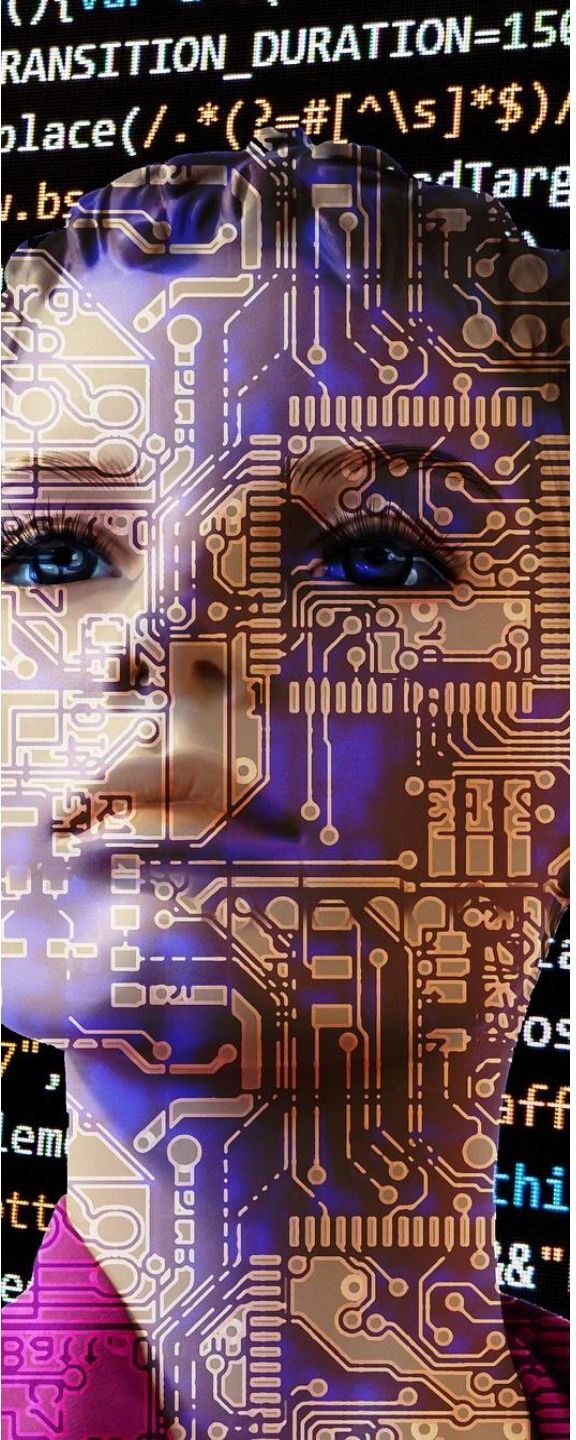
Interactions with customers	Administration	Interactions with suppliers

We recommend that the section in which to start the deployment of AI is administration. Records management and policy pricing can be automated using systems that can adapt and learn through referencing customer data.

AI has the ability to process very large data sets to discover patterns that humans cannot see. These patterns can be incredibly valuable when driving forward efficiency and reducing the cost base.

The technology has the potential to replace almost the entire administrative division of a insurance brokerage or company, with human intervention only required for error trapping and resolution.

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Interactions with customers:

AI already powers interactive avatars that can converse in real-time with customers. As this promises considerable cost savings for any business that talks to it's customers over the internet, we can expect to see considerable advances as the avatars quickly become more intelligent. A good example of this technology can be seen here on YouTube:

https://www.youtube.com/watch?v=PqoH9NotmyE

Insurance brokers and companies can use interactive avatars to both service and entertain their customers, giving them a considerable competitive advantage.

It is possible to create a customer service avatar which can interact with customers in real-time and with natural language. The incredibly exciting fact is that the avatar can handle thousands of customer interactions all at the same time in most major languages, on mobile or on desktop.

To demonstrate the power of these systems take a look at social media influencers that do not exist, they have been created by AI:

https://www.youtube.com/watch?v=WdTL6kQEVKc

Interactions within the insurance sector:

Many insurance companies already deploy AI inside their administrative systems, with the adoption of the technology expanding at an ever increasing rate. In our opinion, any insurance company that decides not to utilize AI will fail under pressure from more alert and agile competitors. The problem is not if AI can do the job, the problem is can AI be trusted to do the job properly?

See this blog from Deloitte:

https://www2.deloitte.com/uk/en/blog/auditandassurance/2021/artificial-intelligence-and-the-insurance-industry.html

We expect insurance companies to encourage brokers to use automation that can interface with their administration systems. They will be seeking to reduce their overheads, hence we anticipate special relationships to be forged between brokers and insurance company that work towards that end.

Within the insurance sector there are individuals who like to do business "the old way" i.e. over the phone. The career paths for these people are finished and they will be replaced soon. Going forward, any effort to build a relationship with clients and suppliers must revolve around the implementation of AI. technology.

WHAT AI THINKS

We asked the rock star of generative AI, chatGPT, what it thought about businesses that adopt AI compared to those that do not.

Our question was: *"Will businesses that ignore AI suffer a disadvantage against those businesses that adopt the technology?"*

The response was: *"It's possible that businesses that do not adopt AI may suffer a disadvantage against those that do, as AI has the potential to increase efficiency, improve decision-making, and create new revenue streams. Businesses that fail to adopt AI may find themselves at a competitive disadvantage if their competitors are using the technology to automate tasks, improve their products and services, or gain insights from data. Additionally, as AI becomes more prevalent in various industries, consumers may come to expect companies to use it, and those that do not may be viewed as behind the times.*

However, it's also important to note that simply implementing AI isn't a guarantee of success. Businesses must also have a clear strategy on how they will leverage the technology and also have an understanding of the capabilities and limitations of AI, and how to best use it to meet their business goals."

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In conclusion:

The insurance industry must adopt AI technology. The question is not just one of competitive advantage, it is also about survival. Market participants who do not deploy AI may fail, or at least their market share will be reduced to a small fraction of what it is today.

Deployment of AI can mean a radical change to your business model. Therefore changes must be implemented a step at a time. It also makes sense to "buy in" modules which are commercially available as the use case can be quickly established and most testing has already been done.

Also the vast majority of modules come with APIs (application programming interface) which enable interactions between different systems. This allows the creation of a semi-bespoke system out of standardised building blocks.

It is a time of great change across many industries as businesses come under pressure to maintain revenue streams whilst at the same time reducing overheads. The rupturing of the status quo is a fantastic opportunity for dynamic, growth driven companies to push the "old guard" aside and capture their market share. Artificial Intelligence is the most powerful tool in your box. Now is the time to use it.

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Low-cost consultancy services:

ISDA is a low-cost, non-profit that advises businesses on how AI can increase revenues and reduce costs. We also publish free educational materials designed to help anybody achieve a basic understanding of the technology. Our mission is to build an AI ready society.

Our consultancy team includes a computational neuroscientist, software and data engineers, data analysts and artificial intelligence experts with AI design and implementation experience.

We talk your language, not jargon.

If you want to learn about AI, and what it can do for your business, contact us today to arrange a free initial consultation.

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Visit our website to learn more: www.isda.world

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