Featured Article

PROPERTY CASUALTY 360°

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Here's how AI is already impacting the insurance industry

It's critical to understand how artificial intelligence will transform insurance and the world.

Looking back, industry leaders who failed to realize how the internet would impact society showed a lack of insight that led to their demise.

I recently wrote about the fears associated with the introduction of artificial intelligence (AI) in the insurance industry.

There is talk that in a few years, producers will be obsolete as machines will personalize and sell policies, process claims and even handle the underwriting process.

This underlying fear that is infiltrating the insurance industry is actually a fear that is felt across industries, cultures and countries. Internationally, there are several insurance companies using AI in the form of chatbots to interface with clients. And in the U.S., four of the top ten insurance carriers are using some form of machine learning.

Consider that in 2015, Allstate launched ABIe (pronounced Abbie), which helps agents learn to sell commercial insurance products for the first time. This bot walks the agents through the selling process and handles over 25,000 inquiries monthly.

Stanford University Professor Andrew Ng, who also runs Google Brain Project, is among AI's major proponents, and describes the technology as 'the electricity of our generation.'

Brass tacks

Artificial Intelligence is currently the buzz word on everybody's lips as the technology advances quickly and inexorably. On one hand, glitches result in a great amount of high profile negative media coverage, and on the other, its successes generate greater convenience for human consumers.

There are two types of AI, narrow and general. Narrow AI includes digital personal assistants like Apple's Siri, Amazon's Alexa, voice and face recognition, and voice command technology. General AI on the other hand is where a machine can perform any intellectual task a human can.

According to the BBC, scientists are working on creating a computer mind that can think, learn and keep improving its performance without human intervention. This pseudo-brain can also learn and speak languages fluently in a short period of time. This technology generates both excitement and fear.

Proponents think it will change the world as we know it in a positive way, while opponents believe it will result in the destruction of humanity as robots will become super-human and take over our planet. Consider that a woman identified only as Danielle from Portland Oregon recently reported that Alexa recorded a private conversation in her home without her knowledge and sent it to a random person in her contact list. This was later confirmed by Amazon, giving credence to the fears of persons who believe artificial intelligence will result in machines taking over our lives.

The Alexa incident is a great example of a beneficial technology's unintended consequences — its inability to think as a human and filter what it was hearing, caused it to do something unexpected, and the ripple effect was wide. AI still has its limitations and should be thought of as a tool, a means to an end rather than the end itself.

Trickle down

As such, AI is already having a huge impact on many industries, one of the most important being medicine, where machines are detecting and diagnosing diseases. According to The Global Source for Science News, "Smart software can diagnose prostate cancer as well as a pathologist."

A group of researchers from Drum Tower Hospital in Nanjing, China, who were attending the European Association of Urology congress in Copenhagen last year, said they have developed an AI system that can identify prostate cancer from human tissue samples and classify each case according to how malignant the cancer is. This can speed up the diagnostic process, creation of treatment plan and overall patient care.

In the insurance industry, the job of an insurance underwriter is to analyze and evaluate the potential risks involved in the process of insuring applicants and their assets. The risk assessment is carried out based on the information provided by the applicant on the application form.

However, there is usually no assurance that information provided by the applicant is correct, so the underwriter uses several processes to evaluate the risk. Currently there is AI software that handles this process for some insurers.

For example, a person purchasing a term life plan wants a higher payout than is being offered by the insurance company. The automated system generates a questionnaire, it then assesses the answers and request an MIB report (Medical Insurance Bureau). If any answer on the questionnaire is flagged, the application is put in a queue to be assessed by a human.

Tools we can use

With the evolution of simple AI to machine learning where chatbots and robots are learning to think, recognize facial expressions and learn speech patterns etc. this process is becoming more transparent. The integration of natural language understanding (NLU), a subset of machine learning in the underwriting process, provide access to more sources of information that will reveal more information about a potential client allowing for a more effective and efficient risk assessment. These sources of information range from social media, Yelp reviews, SEC filings etc.

Currently, one of the largest insurers in the Netherlands, Nationale-Nederlanden, uses a "virtual host" named Nienke to answer client questions. She also provides additional information based on the customer's needs.

Another segment of the industry that is being impacted by AI is claims processing. Traditionally, processing an insurance claim is a long tedious process. With the use of AI, we are seeing a speedier process. A homeowner whose house has been damaged in a hurricane can fill in the claim form online, or using a mobile app, upload pictures of the damage, and submit the claim. The system can start the claim process and forward it to a representative, or if it's a simple claim, assess the damage, process the claim, and pay or deny the claim. This can be done without getting the producer or a customer service representative involved.

There are insurance experts who believe that the impact of AI on producers in the insurance industry will be negligible but I beg to differ. History shows (the Industrial Revolution and the Internet) that when new technology is introduced in society everything changes. With all of the smart devices collecting and consuming data, and machines analyzing said data and offering valid reasoning and options I don't see why they won't be able to analyze a client's needs offer different insurance options based on those needs and sell the client an insurance policy.

Many industry leaders failed to believe the internet would have a big impact on society as they saw it, and that lack of insight led to their demise. It's critical to understand AI's potential to transform our industry. Those who get ahead of the changes will thrive, while those who are afraid to reinvent themselves around AI's disruptive energy, will be struggling to survive.

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