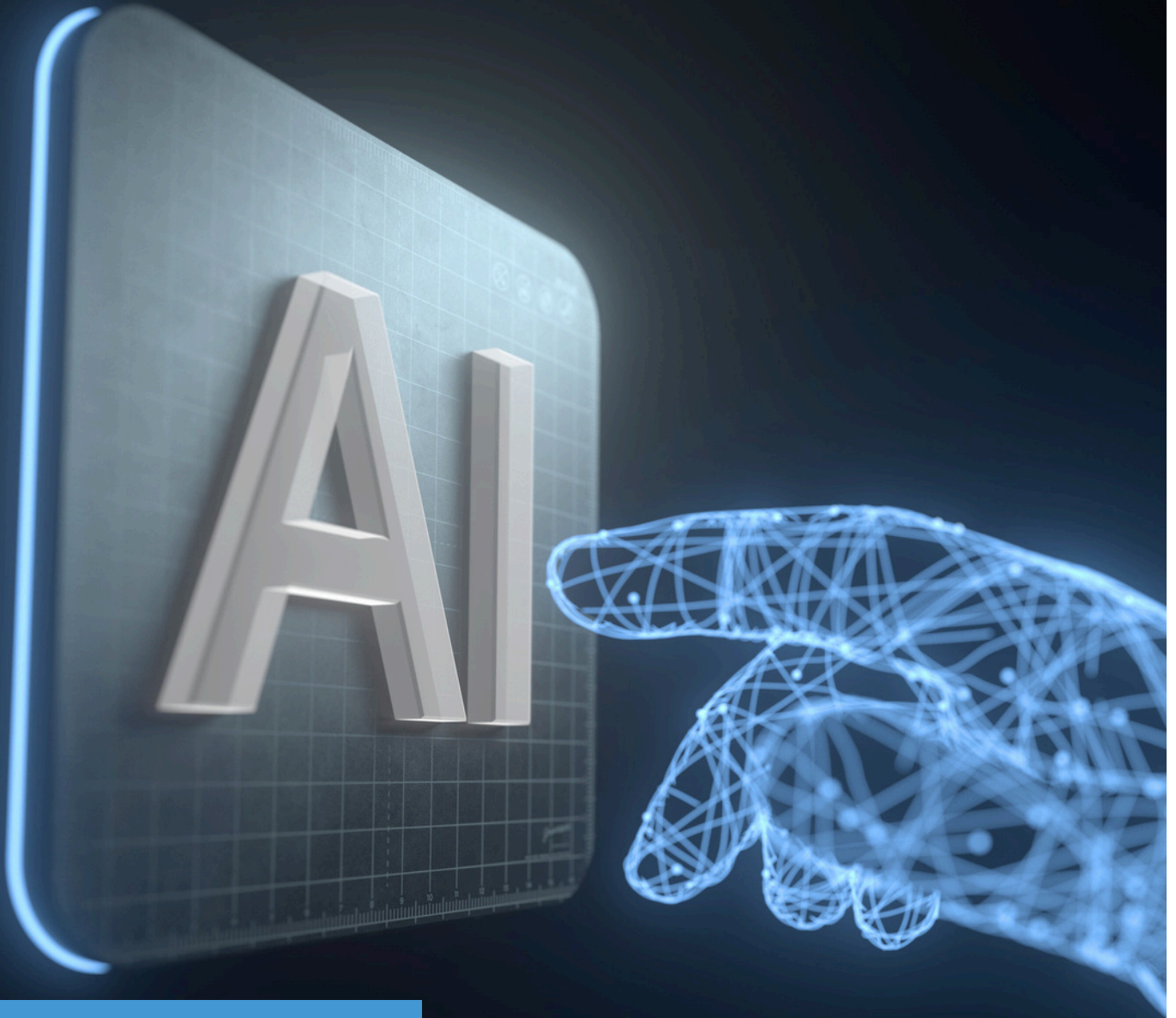# AI & THE INSURANCE INDUSTRY

WHAT'S NEXT?

BENEPATH, INC. 2024

Artificial intelligence, also known as AI, is a hot topic today, and rightfully so. Though AI has been around for decades, in the past few years it has become not only a major topic of debate, but also a major tool for businesses. Because recent developments now allow machines to communicate with humans effectively, and provide and analyze huge amounts of data in mere seconds, the possibilities are endless in many industries. And the insurance sector is no different!

In this paper we will be exploring what AI is and how it is reshaping the insurance industry for the better. Though AI is really only just beginning to be incorporated into the way insurance carriers and agents do business, some players in the industry have already begun to see its potential and are putting it to good use. And while AI has the ability to alter the industry as a whole, it's exciting to note that the bigger change is likely to be its effect on day-to-day tasks of average workers in the industry, including insurance agents.

As time goes on, more and more capabilities of AI are sure to be discovered, but it can already be put to use in the areas of claims processing, underwriting, marketing, customer service, and fraud detection. And while some people might be hesitant to make the transition to automation, the results so far have been exciting, as AI technologies have begun to increase speed, efficiency, and accuracy in a number of areas in the insurance field.

WHAT IS AI?

Simply put, AI is the use of computer systems to perform tasks that mimic human capabilities or intelligence. And, while it feels like a thing of the future, the real advancements in what we know as AI today started in the 1950s. At that time, brilliant minds like Alan Turing and Arthur Samuel were questioning whether machines could solve problems. By the 60s and 70s, there were robots used in assembly lines, the first autonomous vehicles, and even a version of a chatbot known as "chatterbox." By the 1980s, the focus was on AI machines learning from data.

All of these were exciting developments, but fast forward to the 2020s, when we're really just starting to scratch the surface of the amazing capabilities of AI. Even though the basics of this technology have been around for decades now, we still don't even know all of the ways to utilize it, but we're getting pretty good at harnessing this technology!

A TIMELINE OF ARTIFICIAL INTELLIGENCE

1950
Alan Turing creates a test for machine intelligence

1964
Joseph Weizenbaum invents the first chatbot

2020
Chat GPT-3 is introduced and revolutionizes automated conversations

1959
Arthur Samuel coins the term "machine learning"

2011
IBM's Question Answering Machine, Watson, is introduced
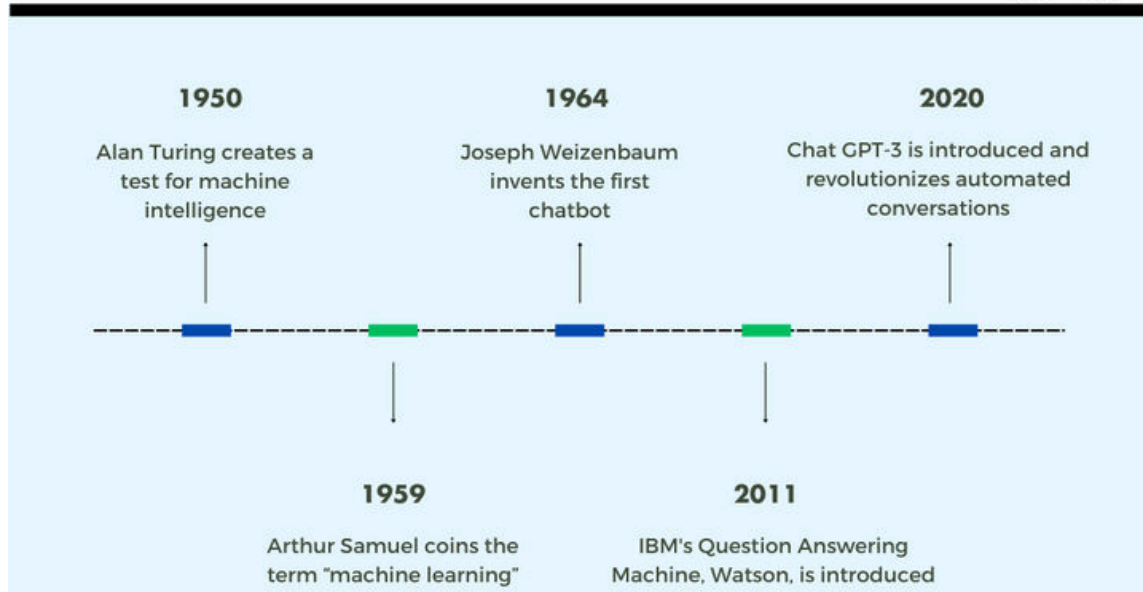
While AI is being utilized for a number of purposes now, it is most commonly used for such tasks as visual perception/creation, data analysis, speech recognition, and decision making. AI technologies can rapidly collect data and process language, so it can communicate effectively with users and provide detailed answers or solutions, making it an ideal technology for businesses to harness.
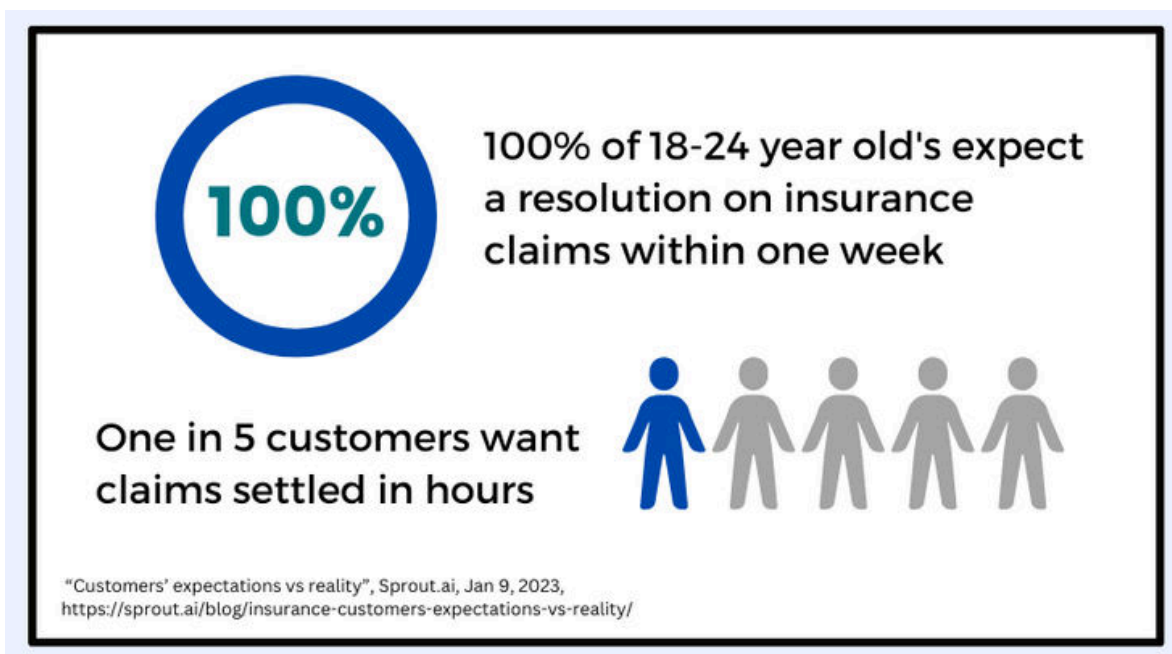
Probably the most well-known example of AI language processing development has been ChatGPT, an AI chatbot that was released to the public in 2022 by OpenAI. ChatGPT uses language processing to communicate with humans. It has the ability to perform a number of impressive tasks such as answering questions, explaining complex topics, composing written content like articles, social media posts, and computer code, and much more. Though the widespread use of AI models like ChatGPT has become a somewhat controversial topic, bringing up many ethical concerns, all types of industries across the world have already begun to see the benefits of this technology.

And the uses of AI technologies like language processing are only continuing to expand into more industries, including the world of insurance. Though AI technologies have not been adopted in a widespread way in the insurance industry, early adopters have already begun to reap the benefits. In fact, insurance agents who have already interacted with AI products have seen increased production and accuracy in processes such as underwriting, claims processing, customer service, and more!

RESHAPING THE INSURANCE INDUSTRY WITH AI

As many industries have begun to do, the insurance sector has begun to explore AI and how it can impact day-to-day operations, as well as how it will impact the industry as a whole. In order to understand the ways in which AI can benefit the insurance world, it's important to first define the current needs and wants of consumers.

The needs and wants of insurance customers today are generally the same as those of most consumers in our fast-paced society: they expect processes and services to be as efficient as possible. Consider this: according to insurance AI expert Sprout.ai, "one in five customers want their claims settled within hours," and "a total of 100% of 18 to 24 year olds expect a resolution on an insurance claim within one week."

100% of 18-24 year old's expect a resolution on insurance claims within one week

100%

One in 5 customers want claims settled in hours

"Customers' expectations vs reality", Sprout.ai, Jan 9, 2023, https://sprout.ai/blog/insurance-customers-expectations-vs-reality/

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This need for speed means, if harnessed currently, AI could become a very effective tool for insurance agents. AI could be a solution for expediting many insurance processes not only for consumers, but for insurance companies and agents, as well. In fact, some insurance companies who have been early adopters of AI have already begun to see the benefits.

For example, TestingXperts, an independent software testing company, has already developed a claim validation software that uses AI for one of the largest independent insurance companies in the U.S. and their results so far have been outstanding. According to Manish Gupta, CEO of TestingXperts, "We discovered that claims accuracy improved by up to 99.99%, operational efficiency increased by 60% and customer experience improved by 95%."

CLAIM VALIDATION IMPROVEMENTS USING AI

Claims Accuracy	Operational Efficiency	Customer Service Experience
+99.9%	+60%	+95%
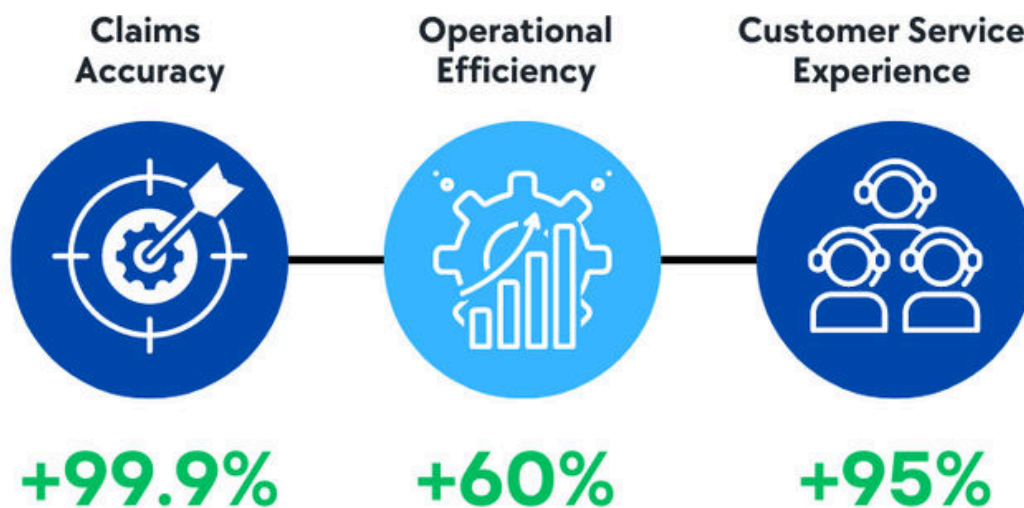
Manish Gupta, "Harnessing The Power Of AI In The Insurance Sector," Forbes, Apr 17, 2023, https://www.forbes.com/sites/forbestechcouncil/2023/04/17/harnessing-the-power-of-ai-in-the-insurance-sector/?sh=67682761335d

Those are eye-opening figures, but still only a small number of insurance companies have begun to invest in AI. According to Gupta, "while 32% of software and internet technologies have begun investing in AI, only 1.33% of insurance companies have invested in AI." So why the hesitancy?

It could partially be the fear (that many people have) that this technology will begin replacing employees. Others might simply be used to the "pen and paper" business model, and there might be some resistance to adopting these very new ways of doing business. And, of course, cost is always a concern when it comes to changing systems and adopting new technologies.

While these concerns are valid, others in the industry believe that AI will not replace human employees, but will instead change the way they work for the better, and will ultimately save everyone time and money. Take filing an insurance claim as an example. In the past, the efficiency of this process and its outcome was determined solely by a human worker. But when utilizing AI to help with the claims process, large amounts of data can be instantly processed to help determine precise details such as claims payouts and damage appraisals.

Instead of leaving tough decisions up to human biases, AI can simply compare the data of similar cases and make an instant, accurate decision. And while human assistance will still be necessary, AI will increase accuracy and speed, resulting in less work for agents and better outcomes for the consumer.

LOOKING TO THE FUTURE

So, while only a small portion of insurance companies have begun to invest into AI, interest in its capabilities continues to grow. And as we learn more about what AI can do, and as it becomes more finely tuned and commonly used, it's almost inevitable that more businesses, including in the insurance industry, will begin to make the transition.

In fact, according to McKinsey, "60% of insurance companies have begun making plans to use AI in their organizations. Moreover, 75% of insurance executives believe that AI will either significantly alter or completely transform the overall insurance industry in the next three years."

And, as pointed out above, adopting AI technologies could mean a bright future for the insurance industry. But insurance companies and agents will need to prepare themselves properly before diving headfirst into the world of AI. Anyone who wants to incorporate AI technologies will need to have a comprehensive grasp of it. This includes identifying cases to test AI technologies on, developing a strategy to utilize company data, and building a team of qualified AI experts.

Balasubramanian, Libarikian, McElhaney, "Insurance 2030- The impact of AI on the future of insurance," Mckinsey & Company, March 12, 2021, https://www.mckinsey.com/industries/financial-services/our-insights/insurance-2030-the-impact-of-ai-on-the-future-of-insurance

AI OPPORTUNITIES FOR INSURANCE AGENTS

When you think of AI and the insurance industry, you might think that this kind of technology will only be useful and accessible to large insurance companies. But that's not the case. In fact, there are many ways that AI is already beginning to be utilized by insurance agents and agencies all over the world. This includes advancements in underwriting, customer service, claims processes, and marketing.

UNDERWRITING

One of the most obvious places that AI will help insurance agents is the underwriting process, because of its ability to gather and process huge amounts of data incredibly quickly. AI technologies can pull data from many sources at once, such as financial records, public records, social media accounts, credit information, and more. AI capabilities that can gather this much data will eliminate the need for an employee to manually analyze information.

And with this much data at hand, insurers will be able to offer more personalized coverage plans, as well as more accurate pricing. This will not only make your job as an agent easier, but it will benefit the consumer as well, since they will be getting coverage and pricing based off of their personal records. And this will also benefit you, because it will mean more satisfied customers.

CUSTOMER SERVICE

AI also has the potential to boost your customer service. The most common way insurance agencies can use AI for customer service needs is by utilizing chatbots. These bots are trained to comprehend language and provide personalized responses to consumers. While in the past there would need to be employees trained to handle most customer service needs and questions, these chatbots now have the ability to solve many problems by themselves.

Another way that AI can positively impact customer service is by allowing you to automate certain tasks. Examples of this might include processing claims and scheduling appointments. It's important to remember that AI that can assist with customer service needs will not eliminate customer service professionals, but will take care of the more menial tasks, giving employees more time to focus on other more impactful areas.

CLAIMS PROCESSING

AI technologies can be a great tool for helping insurance agents with claims processing, as well. Experts believe that the more AI begins to play a role in the industry, the more accurate claims assessments will become. For example, the claims process will become more accurate as image and video recognition become more common in analyzing customer claims. In fact, companies that have already started using this kind of technology to analyze claims have seen more accurate decisions being made by adjusters. Not to mention this technology will help to reduce the number of disputes made over the damage and payouts involved.

CLAIMS PROCESSING, CONTINUED

These technologies will also be helpful in identifying patterns of fraudulent behavior or claims. By using AI to analyze large amounts of data and pinpoint certain trends that indicate fraudulent behavior, agents will be able reduce the number of false claims, and save time and money. In turn, people may be less likely to commit fraud when knowing the high likelihood of being caught.

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TAKEAWAYS

Artificial intelligence has come a long way. And while many businesses, including those in the insurance industry, are on the fence about whether they should invest in AI or not, one thing is certain — technology is changing. So the question is, do you want to sit back and watch it change, or do you want to be part of the change?

In the insurance space, we are already starting to see the ways AI technologies can save organizations time and money. Whether it's chatbots, claims automation, fraud detection, or predictive analytics, all of AI's functions point to a more efficient future. Data shows that as the years go by, consumers will continue to expect faster and more accurate services.

All of the examples we have so far of insurance companies who have already integrated AI into their business model point to AI's ability to deliver on these expectations. Only time will tell what else AI has the ability to do in relation to the insurance world.

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