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“Are we summoning the Devil: Is Artificial Intelligence Killing Off Claims Professionals?”

I. Introduction:

The insurance industry should take note that two tech giants Elon Musk and Bill Gates are facing off on the implications of artificial intelligence. Elon Musk once said "...our biggest existential threat is, it's probably that...with artificial intelligence we're summoning the Devil" The insurance artificial intelligence enthusiasts are touting the cost saving benefits of artificial intelligence. Touchless claims are here. One can now use an App to report an accident and process a property damage claim. A Japanese insurance firm has replaced 34 claims adjusters with artificial intelligence. This begs the question is artificial intelligence killing off the need for claims professionals? While artificial intelligence is far superior to a human at efficiently analyzing and quantifying massive amounts of data, artificial intelligence lacks the emotional intelligence to navigate the complex human emotions associated with claims handling. AI has not yet evolved to the point where expectations, motivations, conscious and unconscious bias and strategies can be analyzed and put into a simple decision matrix to kick out claims decisions.

II. AI is Already Influencing the Insurance Industry and America's Top Insurers

Top Insurers Have Started to Embrace and Explore AI Options

Artificial intelligence has already started to play a significant role in present and future plans for America's top insurance carriers. Top insurers are relying more on the Internet of Things (IoT), the system by which internet-connected devices communicate and relay data and information such as wearable or fitness technology, geographic information systems, location-based sensors, and sensors on objects. As more of these devices are purchased by people and incorporated into coverage plans by insurers more data will be available regarding their clients. As a result, many personal lines insurance products will incorporate a behavioral policy approach based on client usage. This usage-based insurance is more about processing the data generated by a client and their technology, called source data, rather than proxy data extrapolated from the categories a potential client falls into. Presently,

personal lines carriers are applying AI IoT devices in the form of, AI assistants and Chatbots, and product development through performance monitoring.

AI Assistants and Chatbots Assist Both Clients and Agents

Allstate and Geico use artificial intelligence to assist their agents and clients. Allstate applies its Chatbot system through ABle, Allstate Business Insurance Expert (pronounced “Abbie”), to aid agents rather than clients. ABle was developed in partnership with Earley Information Science to help agents that were accustomed to selling personal insurance make the transition to selling commercial insurance. The result is real-time step-by-step assistance for agents while they prepare commercial insurance products for clients. Geico, however, applies its AI Chatbot, Kate, to client assistance. Kate is described by Geico as a virtual assistant that can process coverage and billing inquiries as well as other questions without having to wait for an available agent.

AI can Monitor the Performance of Clients to Develop Personalized Coverage

State Farm, Liberty Mutual and Progressive use AI to personalize coverage and encourage client safety. State Farm explored the possibility of AI to identify distracted drivers on the road and develop an app to monitor drivers for behaviors linked to distracted-driving. Liberty Mutual is experimenting with an app that helps drivers assess the damage to their cars in real-time using their smartphone cameras. The AI component is trained by analyzing the images from car accidents in order to provide repair estimates specific to the damage suffered. Liberty Mutual’s venture capital initiative, Liberty Mutual Strategic Ventures (LMSV) has invested in Screenshot, a start-up that allows users to submit images of the damage to receive repair bids from auto body shops within 24 hours of submission. Progressive’s Snapshot collects driving data from users to assess their driving performance and potentially offer discounts.

III. Changes to the Structure of Insurance Companies

Insurers Should Expect Changes to Underwriting, Claims Handling, Assessments and Audits

In a survey of insurance executives, KPMG found significant weight given to impact of increasing amounts of data to the future of underwriting and claims handling. Such significant amounts of data will necessitate employees trained in data analysis in order to provide better service to clients. According to the consulting firm EY, underwriting departments will no longer have to rely solely on backwards-looking historical data sets. Underwriters can monitor data in real time to recommend policy and pricing modifications. Additionally, underwriters could be more active in product design by applying the new data sets to develop new and more customizable products to fit client needs.

EY predicts AI claims handling will become more precise due to the data available from in-home, commercial-space, and vehicle sensors as well as wearable tech and also shift towards a loss prevention model. EY suggests claim prevention strategies in the client-facing end, like offering discounts for employee health packages if they agree to wear fitness technology pieces and offering enhanced

services to the right clients after an accident. McKinsey & Co. predict AI will soon handle initial claims routing and automate personal and small business claims. Virtual claims adjusters and online interfaces will improve the efficiency and settlement of claims. Human claim management could then be focused on complex and unusual claims, contested claims, claims linked to systemic issues and risks created by new technology (like vulnerability to hacking), and random manual review to ensure sufficient oversight of the algorithmic decision-making.

In the back end of claims handling, AI development will help carriers detect and deter fraud. The data provided by IoT enables faster access to risk management information and less reliance on costly assessments and audits. Shift Technology has already analyzed 82 million claims using their AI program.

IV. More Changes: Enter InsurTech - New Ways to Deliver Coverage

InsurTech is the Disruption and Innovation of the Insurance Industry Through Technology

While larger insurers have explored and incorporated facets of AI, IoT, and machine learning, insurtech start-ups are centered on it. These start-ups use AI in the place of agents and offer customizable policies and social insurance.

Insureon uses a system it calls TRUDI, TechInsurance Real-time User Data Interface, to pull data from hundreds of insurance carriers to match customer business needs to the appropriate policies in real time. Insureon agents can then track customer quotes, bind coverage, and manage policies. Users only need to input information once for access to the carriers and have the assistance of “Policy Buddy”, a tool that helps business owners determine which policies they are likely to need based on the way they’ve set up their business. Insureon states the process can take as little as two minutes.

Lemonade, another insurtech start up aimed at homeowners and renters, allows customers to chat with an AI bot called Jim to file claims. The bot is authorized to pay out a claim instantly with no human intervention needed. Lemonade charges a flat fee and any unclaimed money can be donated to charitable causes that policyholders care about.

Neos Ventures combines smart home technology, emergency assistance, and home insurance. Neos developed LeakBot, a device that is installed near water-using home appliances to monitor for leaks. Through an app, LeakBot notifies the policyholder and prompts them to take measures to protect their home, like calling a plumber.

Insurtech is expanding into niche markets and industry as well. Trov has developed on demand property insurance for sports, music and visual arts sectors. Next uses a Chatbot via Facebook messenger to offer insurance policies for personal trainers.

Start ups in the wearable tech sector, like BioBeats and Fitsense connect wearble devices to insurance policies in order to personalize health plans within an employer-sponsored health insurance program. According to Vikram Renjen, the SVP of Insurance for Sutherland, wearable tech will assist in compliance with workplace compensation plans by monitoring and reporting on an employee’s compliance with the rehabilitation protocols of a disability claim.

V. Projecting the Future of AI in the Insurance Market

The Future of the Insurance Market is Faster and More Efficient

AI and machine learning will make purchasing certain types of insurance products almost instantaneous based on real time data available from interconnected devices. Rather than a pay and renew model based on time, coverage offerings will adapt to the changes in the client's behaviors and routines. McKinsey predicts traditional underwriting could altogether cease to exist for most personal and small-business products. What underwriting that is left can be automated and reduced to minutes or even seconds. Internal data and external sources from IoT will enable insurers to be proactive and seek out clients with prepared products more precisely suited to client needs.

Claims, like underwriting, will be automated with resolution taking hours or minutes rather than days. IoT devices will enable proactive coverage that limits losses and in some cases pre-file claims.

AI Will Change the Shape of the Insurance Market

Boston Consulting Group and Morgan Stanley project that the automotive personal injury market will experience a 65% reduction by 2035. By 2040, KPMG predicts an 80% reduction accident frequency per vehicle, a 60% reduction in the US personal auto insurance agency and industry loss by as much as 40%. They predict the industry as a whole will be more focused on commercial auto and product liability insurance.

VI. AI presents an exciting opportunity for the leaders of tomorrow

While Artificial intelligence may eliminate the mundane administrative tasks, AI will liberate insurance professionals to focus on complex issues and claims that require critical thinking and emotional intelligence. Harvard researchers conducted a survey of 1,770 managers across 14 countries. The researchers found that managers at every level spend the bulk of their time performing administrative tasks, such as administrative coordination, writing reports, etc. Note that these are the very tasks that are most likely to become automated in the near future. In fact some companies have already seen great improvement by transferring these tasks to AI. About 86% of the managers surveyed noted that they welcomed this sort of shift. They understood that they will need judgment oriented skills to succeed in the future. These include: creative thinking and experimentation, analysis and interpretation of data and strategy development.

However, note, that certain human-oriented skills are still viewed as second priority in terms of education and training. The above referenced survey highlighted that the following skills are undervalued: social networking, collaboration, people development and coaching (collectively "people skills"). Only about 20% of the participants selected each of these people skills among the top 3 that they thought it would be necessary and should be developed over the next 5 years. Nonetheless, it is these people skills that will become more and more valued over the next decade, becoming career differentiators as artificial intelligence and machine learning take over our other (administrative) tasks.

In a study conducted by the insurance technology firm, Vertafore, 60% of respondents were concerned that AI is a “Trojan horse” for using Chatbots to deny claims. 49% of those surveyed indicated a preference to buy all forms of insurance from a human agent and 72% of all respondents were uncomfortable purchasing insurance through a Chatbot. 75% of respondents did not understand Peer-to-Peer insurance (P2P) and 51% were uncomfortable purchasing insurance that way.

To position oneself for success, the first step is to embrace the rise of AI. In order to stay relevant, agents, underwriters, and claims professionals cannot afford to distance themselves or attempt to circumvent the proliferation of AI. The second step is to adapt the current soft skills and emotional intelligence (“EQ”) used in our day to day, including persuasion, social understanding, and empathy. Compelling scientific evidence has already confirmed the positive relationship between EQ and job performance.

Soft skills refer to a broad set of skills, competencies, behaviors, attitudes, and personal qualities that enable people to effectively navigate their environment, work well with others, perform well, and achieve their goals.

According to “A Dictionary of Psychology” from Oxford University Press, *EQ is the capability of individuals to recognize their own emotions and those of others, discern between different feelings and label them appropriately, use emotional information to guide thinking and behavior, and manage and/or adjust emotions to adapt to environments or achieve one's goal(s).*

VII. Conclusion

Embracing A/I now will well position insurance professionals for a more fulfilling and successful career. Agents can support a larger client base while having more meaningful interactions because of personalized information for each client’s present and future needs. Underwriters will transition to regulators of the automated models, testing policies to make sure the algorithms are functioning properly and consistent with public policy. Claims adjusters will no longer be saddled with mundane administrative tasks and will be able to specialize in complex claims and direct client interaction. Indeed the best candidates for front end insurance work must be creative, technologically adept and able to work with processes that are not static but constantly evolving.