The Impact of Artificial Intelligence on the Insurance Industry

Federation of Defense & Corporate Counsel

Insurance Industry Institute (I-3)
New York, New York
November 8-10, 2023
With special thanks to Bernie Heinz!

Our Panelists

- Carey Bond, Lloyds (Americas)
- Kate Brown, BH Specialty
- James Chapman, eSumry
- Sarannah McMurtry, Acceptance

Today's Agenda

- **A discussion on how AI is transforming the insurance industry and the potential impact on the lawyers and firms who support carriers, brokers, and consumers**
- **Current & future applications**
  - **Underwriting**
  - **Claims**
  - **Litigation**
- **Where are we heading**
- **The best way forward**

Will AI make us redundant and take our jobs away?

Eyes Wide Open
AI Innovation for Insurance Professionals

It's the End of the World as We Know It
(And I Feel Fine)

(R.E.M. 1987)

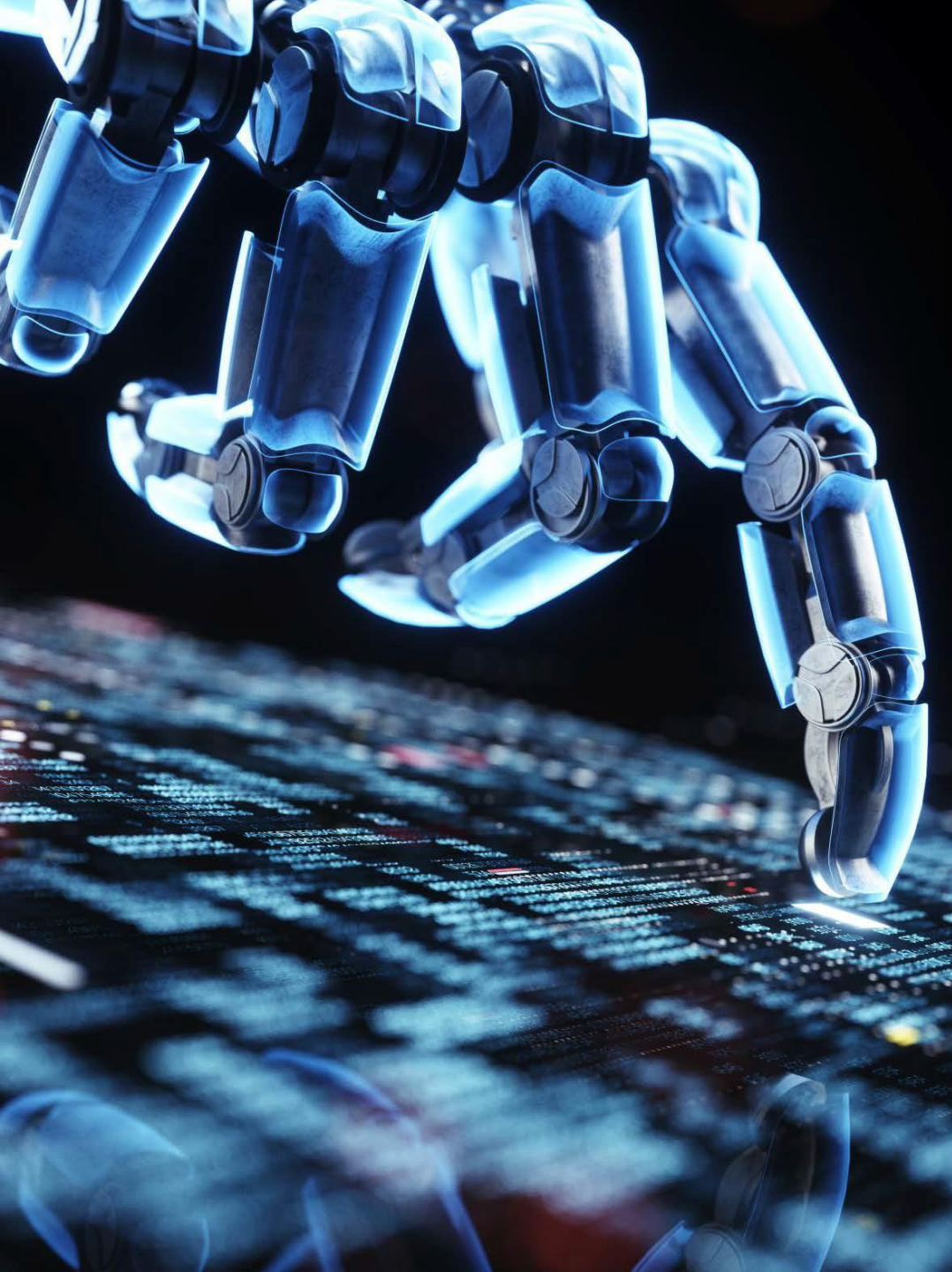# Trends reshaping the insurance industry

- Explosion of data from connected devices
  - 1 Trillion connected devices by 2025
    - Cars, trucks, fitness trackers, smart watches, home assistants, Alexa, smart phones, shoes, refrigerators, thermostats, Netflix, TikTok
  - Insurers better understand customers
    - New products, pricing, real-time service delivery

Trends reshaping the insurance industry

Open source and data eco-systems

- (Almost) Everything is connected
- Data is becoming ubiquitous
- Shared and used across industries

Trends reshaping the insurance industry

Increased prevalence of physical robotics

- Programmable autonomous drones
- Autonomous farming
- Enhanced surgical robots

- Changing customer expectations
  - Amazon one-click effect

Trends reshaping the insurance industry

Advances in Cognitive Technologies

- Carriers have access to models that are constantly changing, learning and adapting to developments
- Drives new business practices, products and pricing
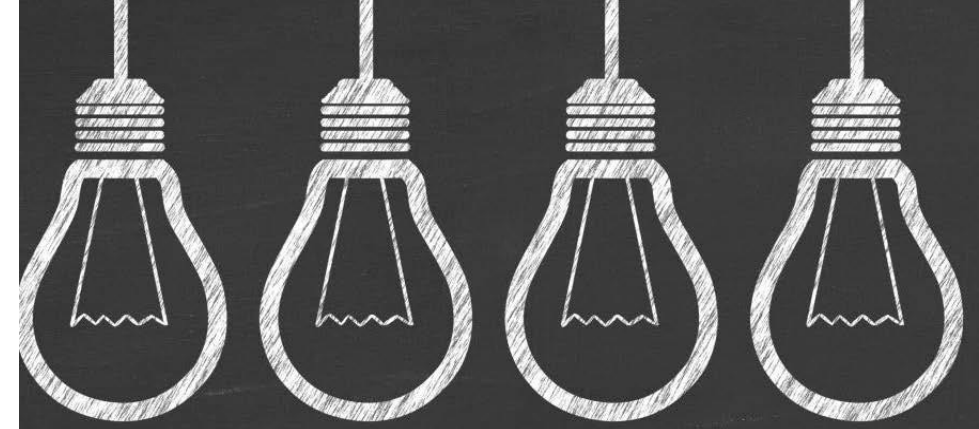
Data is King

How much data is created daily?

- **328.77 million terabytes of data are created each day. (Created = newly generated, captured, copied, or consumed).**

- **In zettabytes, that equates to:**
  - **120 zettabytes per year,**
  - **10 zettabytes per month,**
  - **2.31 zettabytes per week, or**
  - **0.33 zettabytes every day.**

- **How fast it is growing?**

What About:

Personal protected information?
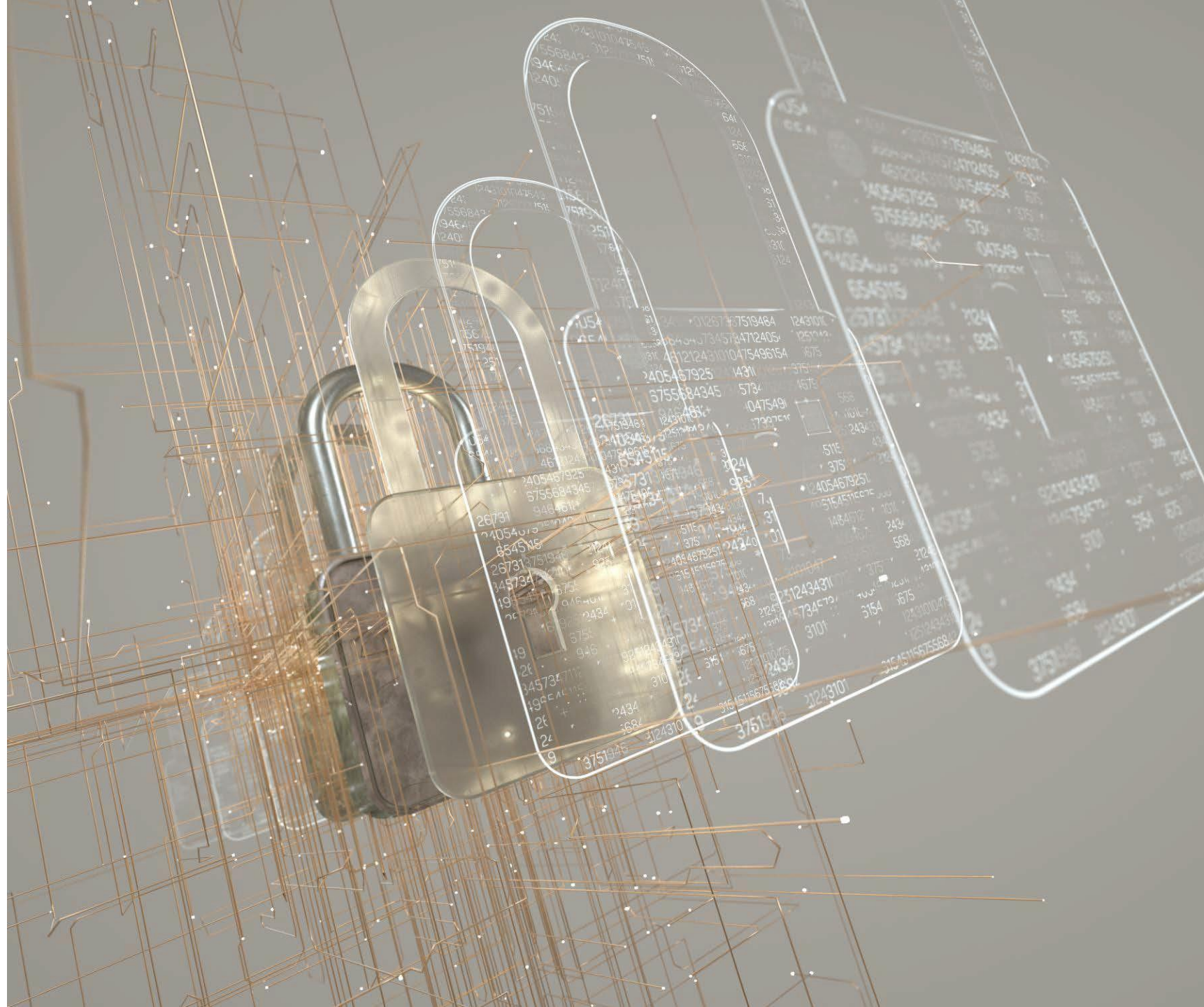
"Write Compelling Reasons Why to Attend I-3"

Certainly! Attending the Insurance Industry Institute (I-3) put on by the Federation of Defense & Corporate Counsel (FDCC) can provide numerous benefits to professionals in the insurance industry and beyond. Here are several compelling reasons why one might consider attending this event:

1. **Expert Insights**: The I-3 gathers industry-leading experts who will share their deep knowledge and insights on various aspects of the insurance industry.
2. **Networking Opportunities**: Engage with a community of professionals from various sectors including the defense, corporate, and insurance spheres. Building a robust network can open up new opportunities and collaborations in the future.
3. **Professional Development**: The I-3 event offers a platform for continuous learning and professional development. Attendees can acquire new skills and knowledge that can help them stay ahead in their careers.
4. **Innovative Solutions**: Discover cutting-edge solutions and technologies that are transforming the insurance industry. The event is a hub for innovative ideas, showcasing advancements that can drive businesses forward.
5. **Industry Trends**: Stay abreast of the latest trends and developments in the insurance industry. Understanding the current landscape can assist professionals in making informed decisions and strategizing for the future.
6. **Legal Expertise**: Given that the FDCC has a strong background in legal affairs, attendees can gain insights into the latest legal developments affecting the insurance industry.
7. **Interactive Sessions**: Participate in interactive sessions that foster engagement and active learning. These sessions are designed to facilitate deep dives into critical issues affecting the industry.
8. **Tailored Content**: The event offers content tailored to the needs and interests of professionals in the insurance industry, ensuring that attendees find value and relevance in the sessions they attend.
9. **Exhibition and Sponsorship Opportunities**: Businesses have the chance to showcase their solutions and services to a targeted audience, potentially facilitating new business opportunities and partnerships.
10. **Certification and CLE Credits**: Professionals can earn certification and Continuing Legal Education (CLE) credits, which can be beneficial for career progression and maintaining professional licenses.
11. **Knowledge Sharing**: Contribute to the rich knowledge base of the industry by sharing experiences and insights, learning from peers, and collaborating on solutions to common challenges.
12. **Regulatory Updates**: Gain updates on the regulatory environment from experts and learn how to navigate the complex regulatory landscape in the insurance industry.
13. **Collaborative Environment** The I-3 fosters a collaborative environment where professionals can work together to address industry challenges and develop innovative solutions.
14. **Personal Growth**: Beyond professional development, attendees have the opportunity for personal growth, gaining new perspectives and ideas that can enrich their personal and professional lives.
15. **Cultivating Future Leaders**: The event nurtures the future leaders of the insurance industry, providing a platform for young professionals to learn from seasoned experts and build a solid foundation for their careers.

Considering the myriad benefits, attending the Insurance Industry Institute (I-3) hosted by the FDCC is a valuable opportunity for insurance professionals seeking to enhance their expertise, network, and career prospects.

ChatGPT (9/18/2023)

"Write a limerick on why to attend I-3"

- There once was an event I-3, A hub for the wise and the free, With panels so fine, and speakers divine, 'Tis the place every insurer should be!

- Il y avait un événement I-3, Pour les sages, une opportunité, Avec des conseils si fins, Et des discours divins, C'est le lieu pour l'assureur averti!

- Es war einmal ein Event I-3, Ein Treffpunkt für Kluge, oh jee! Mit Experten so toll, Und Wissen so voll, Der Versicherer kommt hier in See!

- I-3イベントが一度ありました, 賢い人々のための拠点, 洞察力あるパネルで, 神々しいスピーカーで, これが保険業者の場所です!

- Hubo una vez un evento I-3, Donde el sabio seguro va a beber, Con charlas tan finas, Y mentes divinas, ¡El lugar donde todos quieren ser!
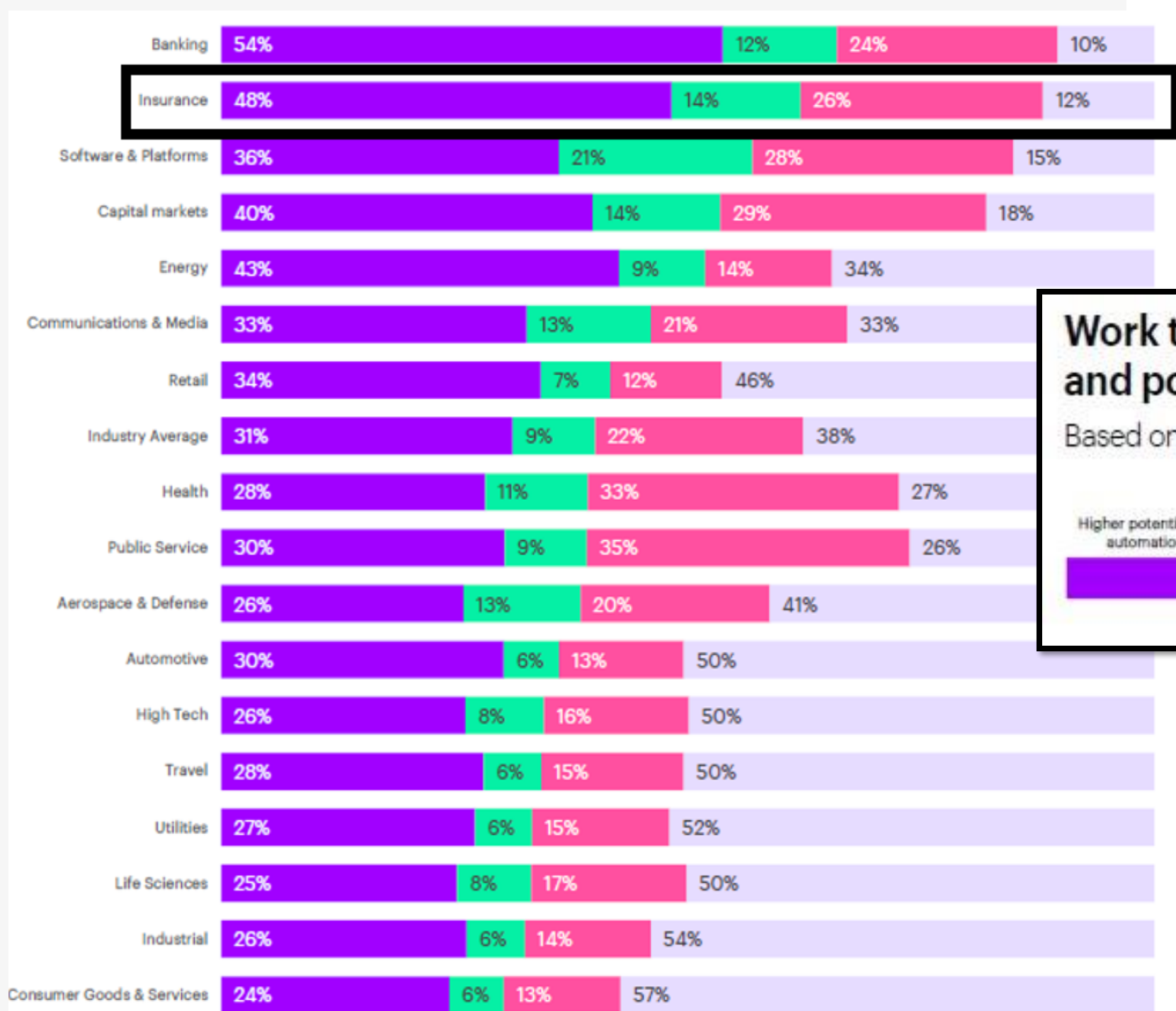
ChatGPT (9/18/2023)

What is ChatGPT?

A Generative Pre-trained Transformer

- Large language model (LLM) chatbot developed by OpenAI. Launched on November 30, 2022
- Users can refine a conversation towards a desired content, length, format, style, level of detail, and language.
- Trained with information from prior to September, 2021.

Work time distribution by industry and potential AI impact

Based on their employment levels in the US in 2021

Industry	Higher potential for automation	Higher potential for augmentation	Lower potential for augmentation or automation	Non-language tasks
Banking	54%	12%	24%	10%
Insurance	48%	14%	26%	12%
Software & Platforms	36%	21%	28%	15%
Capital markets	40%	14%	29%	18%
Energy	43%	9%	14%	34%
Communications & Media	33%	13%	21%	33%
Retail	34%	7%	12%	46%
Industry Average	31%	9%	22%	38%
Health	28%	11%	33%	27%
Public Service	30%	9%	35%	26%
Aerospace & Defense	26%	13%	20%	41%
Automotive	30%	6%	13%	50%
High Tech	26%	8%	16%	50%
Travel	28%	6%	15%	50%
Utilities	27%	6%	15%	52%
Life Sciences	25%	8%	17%	50%
Industrial	26%	6%	14%	54%
Consumer Goods & Services	24%	6%	13%	57%

AI Impact on Underwriting

- **Predict & Prevent**
- **Enhance decision making**
- **Lower costs**
- **Empower pricing**
- **Optimize customer experience**

AI Impact on Underwriting

- **Blurring lines/consolidation**
  - **between traditional underwriting, broking and risk management**
- **Shift from:**
  - **"process" to "experiential"**
  - **"classification & rating" to "guidance and retention"**
  - **Annual Policy Period & Premium to Usage Based Insurance**
    - **Increased negotiation of terms & conditions, deductible/SIR/Reinsurance**

How will AI Impact Underwriting?

- For most P&C, SME and personal lines:
  - Underwriting reduced to a few seconds
  - Automated
    - Machine and deep learning models
    - Powered by internal and external data
      - Interfacing with data collected from devices; loss history; actuarial tables
  - AI model sees tens of millions of policies expiring and claims reported in 20 minutes than U/W sees in 20 years
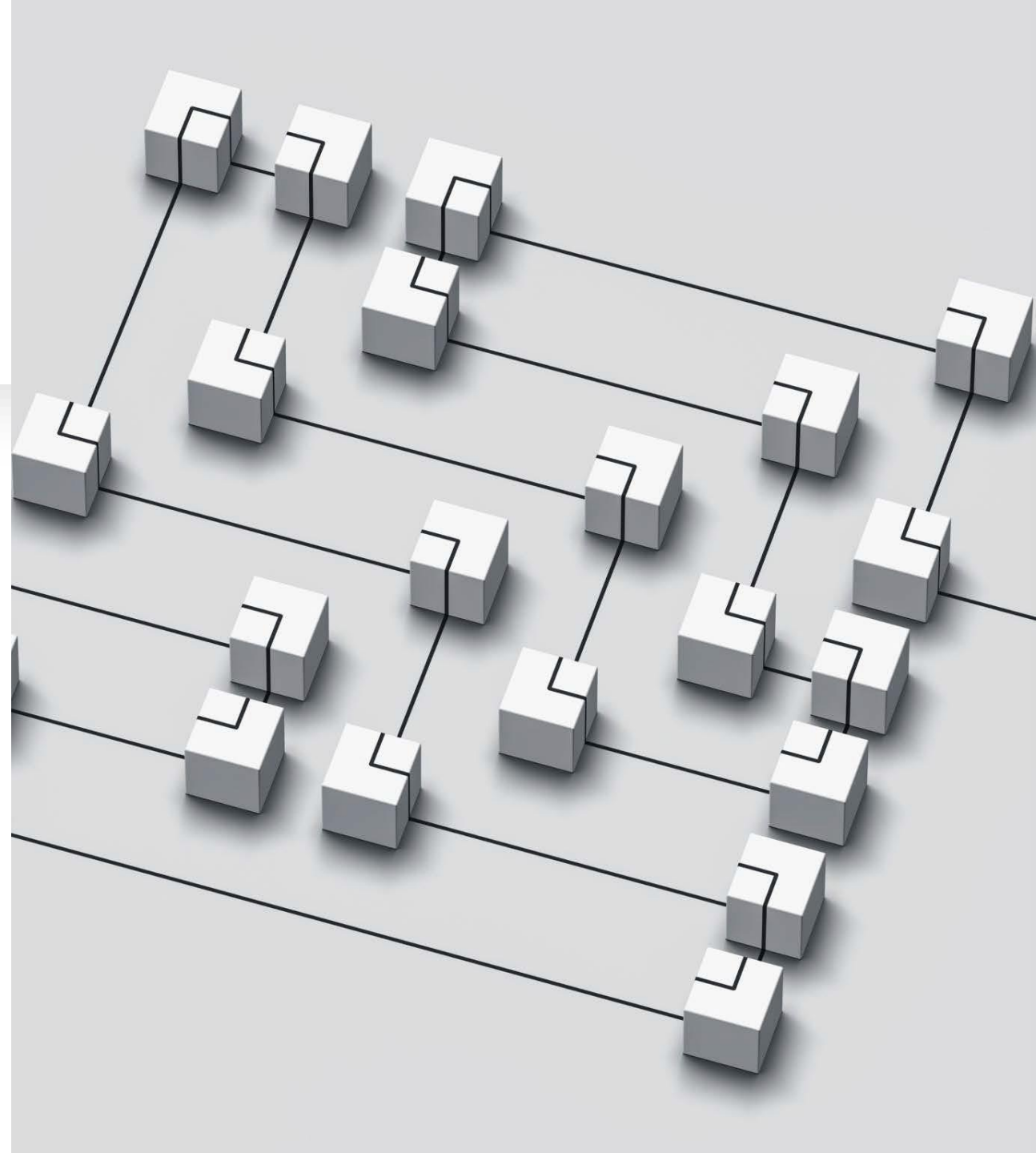
How will AI Impact Underwriting?

- For most P&C, SME and personal lines:
  - Insurers now can make decisions on forecasts on Terms & Conditions and pricing
  - Proactive outreach with bindable quote for product bundle
  - Tailored to buyer's risk profile and coverage needs
  - Captives/Risk Retention Groups & Risk Purchasing Groups Increase
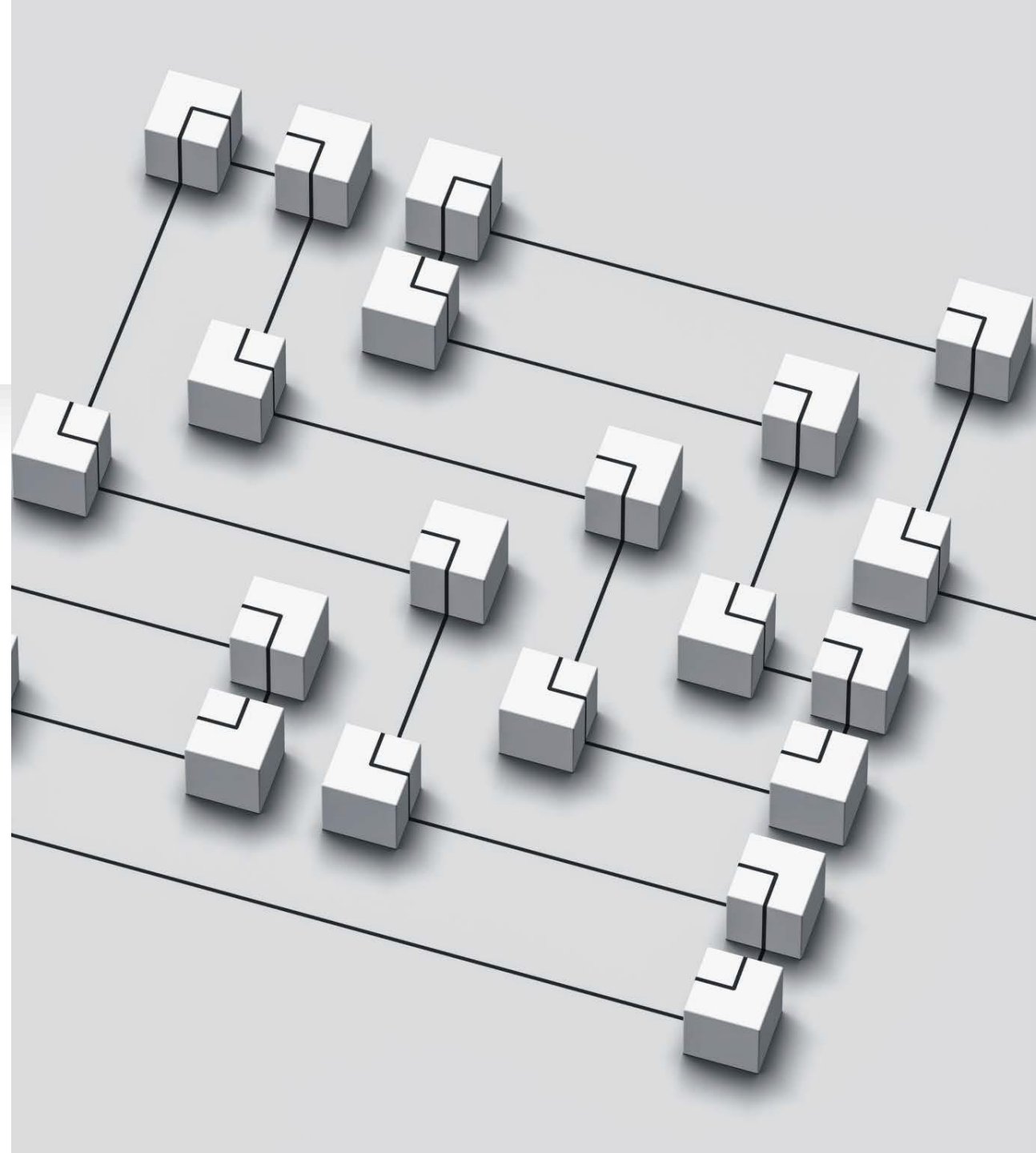
How will AI Impact Underwriting?

- Benefits:
  - Insurers with bespoke Policies
  - Sophisticated proprietary platforms
  - Offering differentiated experiences, features and value
  - Collaboration with bolt-on covers/experiences
  - Pricing in real-time
  - Consumers able to decide how actions influence coverage, insurability and pricing

Benefits of AI Underwriting

- Minimize possibility of human error

- Consistency

- Increased profitability

- Fairer pricing

- New business acquisition opportunities

- Improved customer loyalty

- Combat cyber threats

- Improve risk understanding
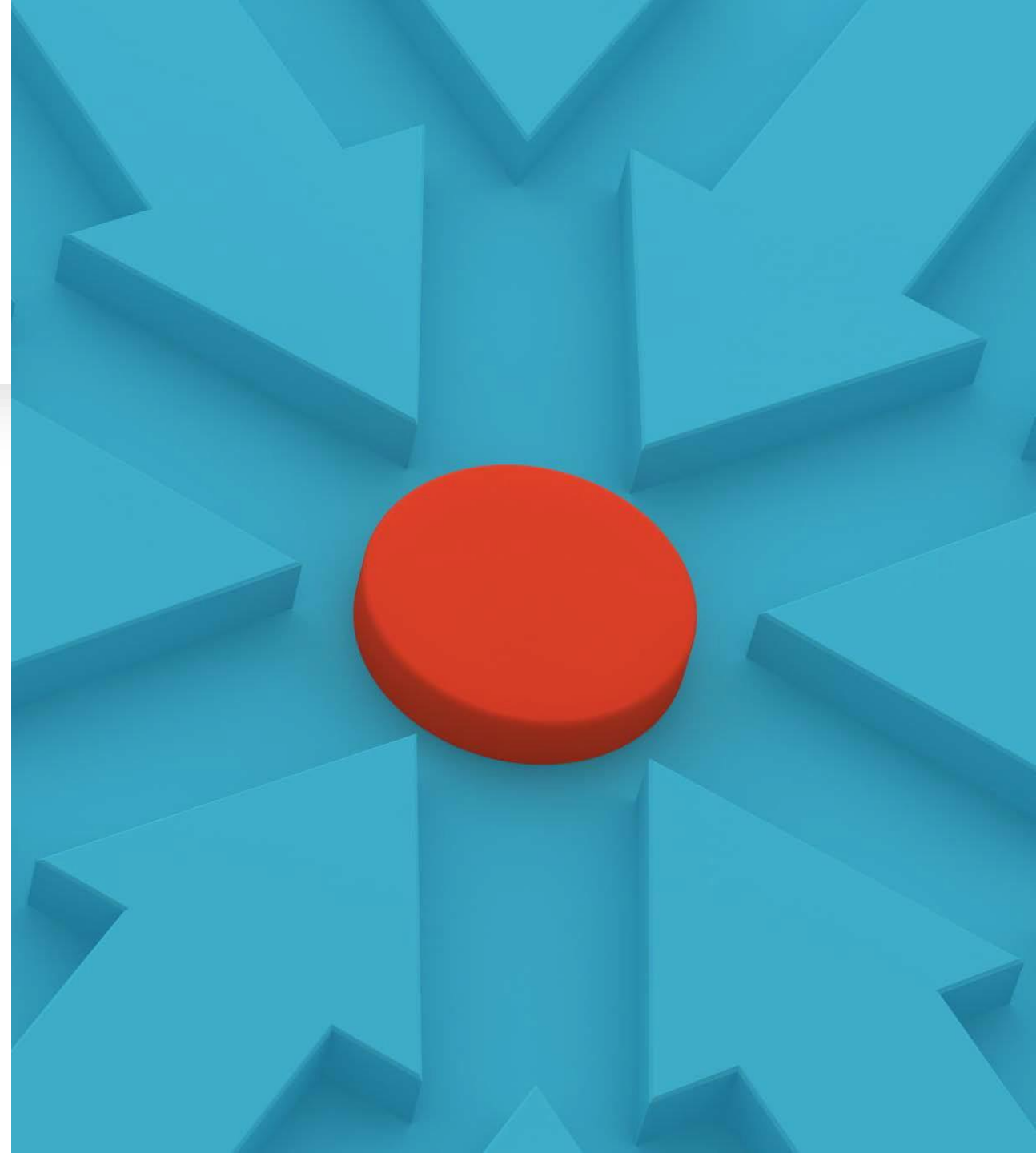
How will AI Impact Claims?

What do you believe is the best strategy to enhance the claims experience for customers?

01 Providing personalized customer support

02 Streamlining claims handling process and reducing wait times

03 Improving transparency and communication

04 Implementing self-service options for claims reporting and tracking

45%

25%

20%

10%
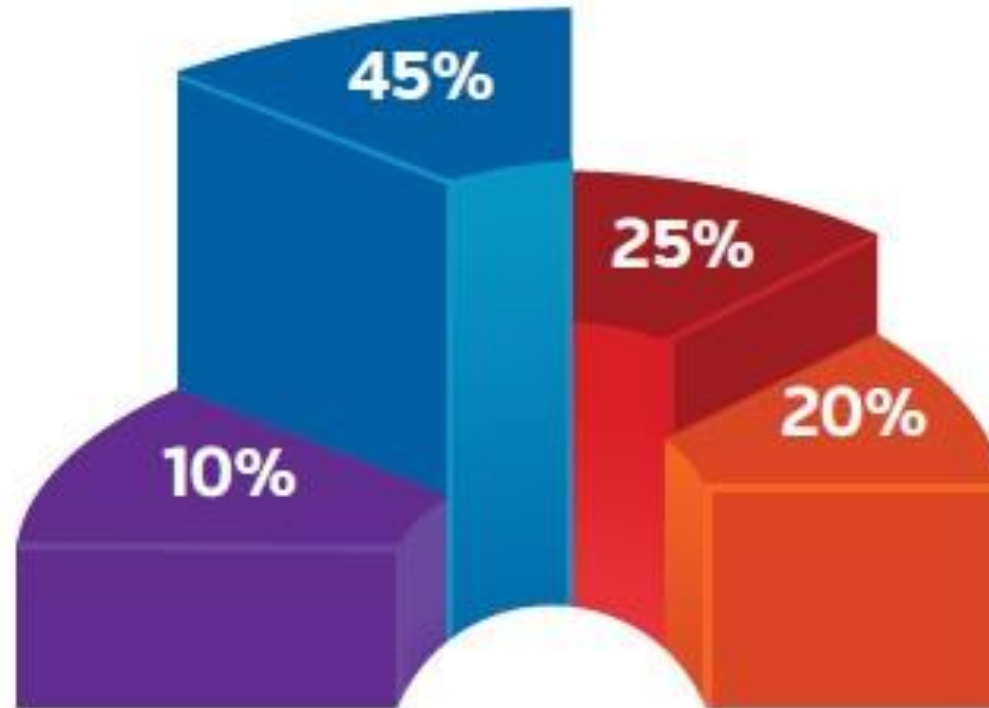
Where do you think emerging technologies are enhancing claims processing efficiency the most?

01 Automated claims triage and initial assessments

02 Using ML to analyze historical data and identify patterns

03 Integrating NLP to documents and extract relevant information

04 Applying computer vision to analyze images of physical damage

Automation
46%

Machine Learning
19%

NLP
16%

Computer Vision
18%

Policy renewal

- 87% of customers say claims processing effectiveness and speed of payment impact their decision to renew coverage with same carrier.

EY Study

How will AI Impact Claims?

By 2030:

- Over 50% of claim activities automated

- Automated customer service apps (voice/text)
  - Interface with claims, fraud/SIU, medical service, policy and repair systems

- Algorithms handle most claim functions
  - Increase speed, efficiency and accuracy
  - Decrease costs
  - Resolution in minutes v. days/months
  - Paperless payments

- Interpret Policy against FNOL
  - Draft Acknowledgement, RoR or Denial
  - Immediate response

Enhancing the Claims Experience

Our new lawyer?

Chatbot passed bar exam in California in 6 minutes with 93% accuracy
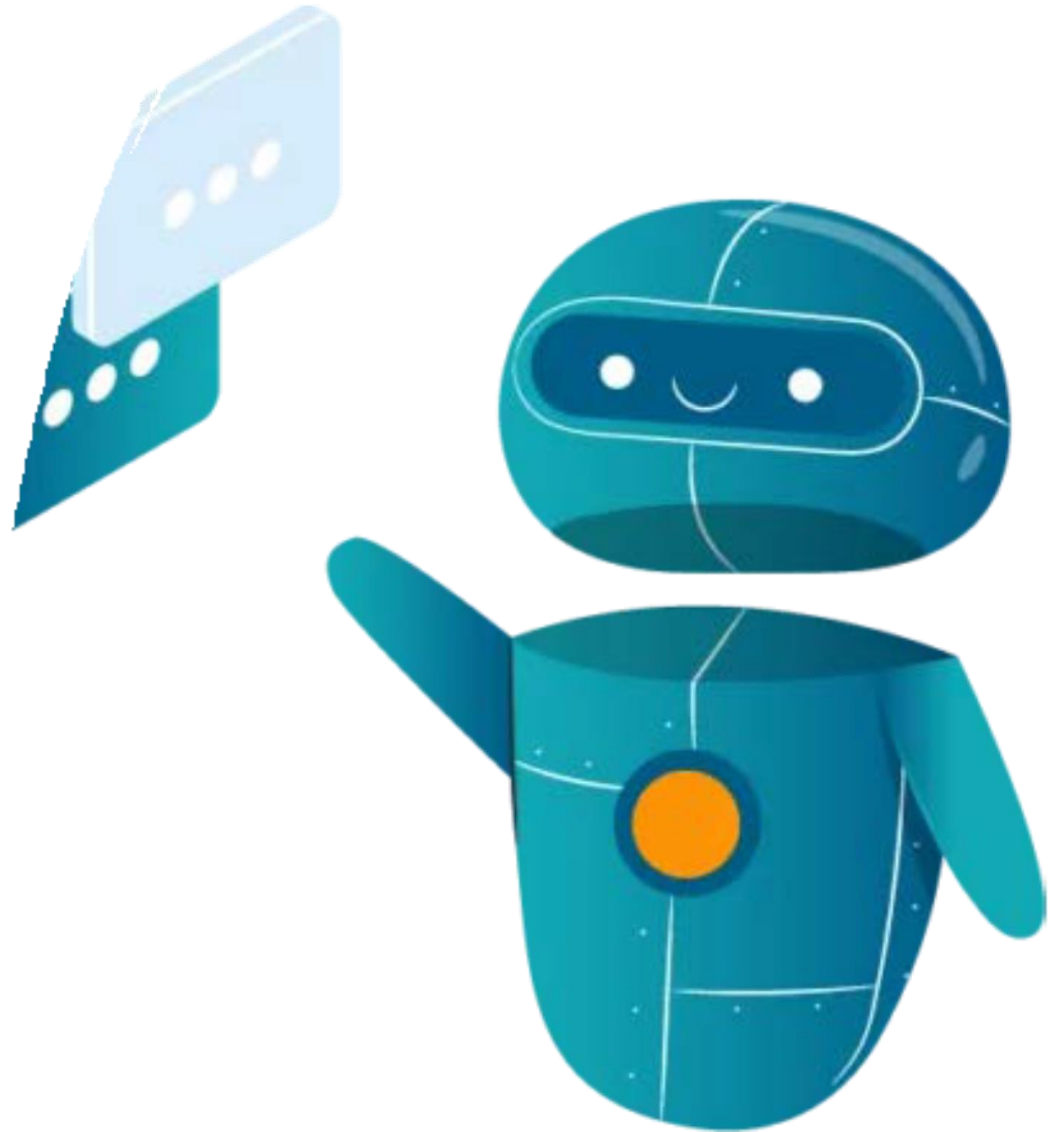
How will AI Impact Claims Litigation?

- Predictive results: Indemnity & Defense
- Defense / Coverage Counsel Selection
- Billing changes from hourly to AFA?
- Lower loss ratios

How will AI Impact Defense Firms?

- Less time spent drafting pleadings & reports
- Choosing winning arguments
  - Increasing the % of success
- Paralegals & Associates => Life Support?
- Billing changes from hourly to AFA?
- Reduce panel size?

Empathy?

- Scams
- Hackers
- Malware

Resilient Insurance Company

57 claim offices around the world

In 2022, over 460 property damage claims with business income component

187 resulting lawsuits worldwide

157 claims included BI/EE demands

144 different defense counsel

116 separate corporate witnesses
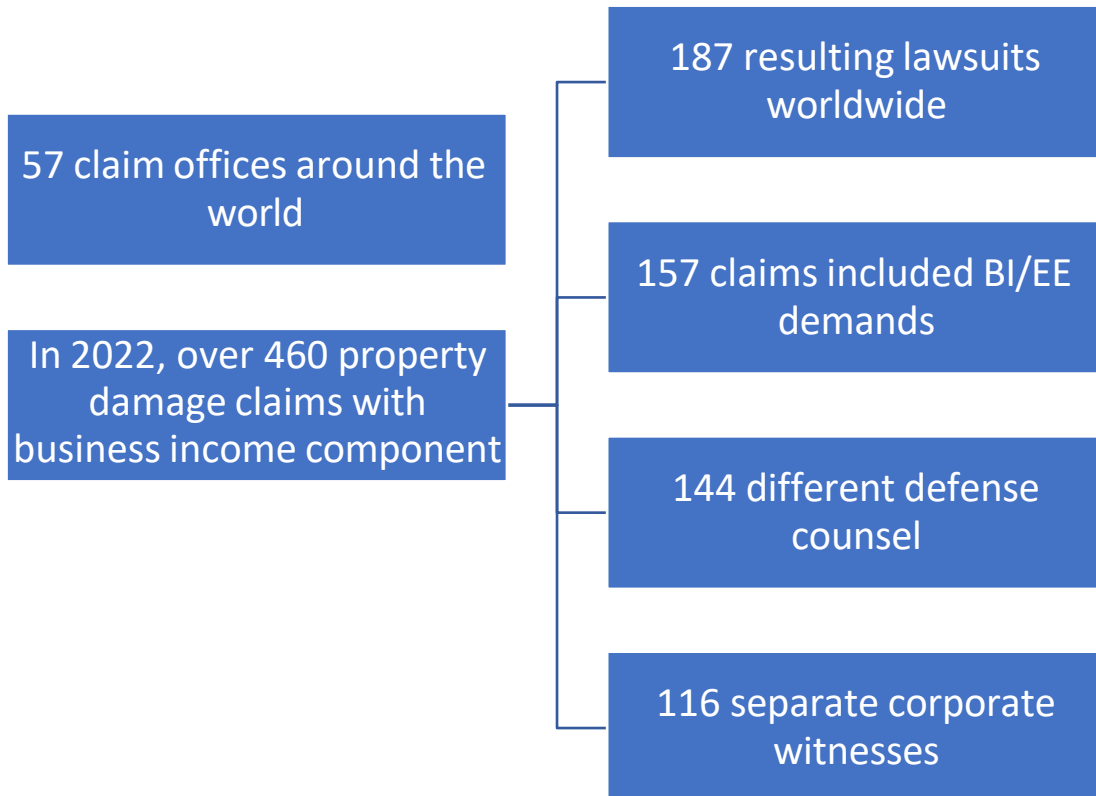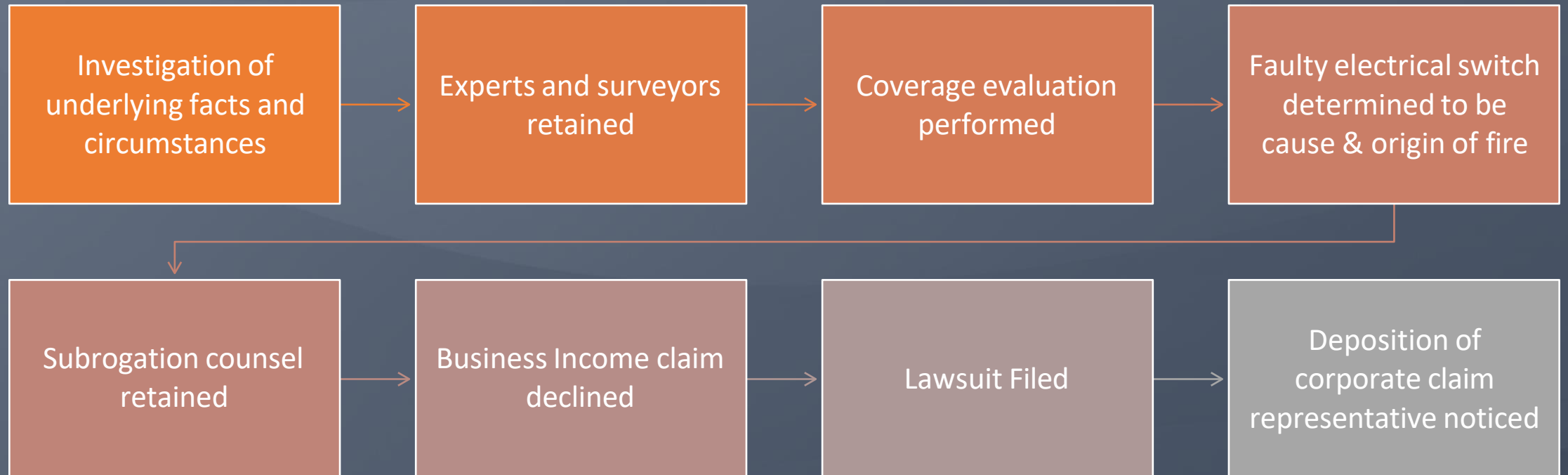
Corporate Representative Deposition

- Question by the Insured's Counsel:
  - "Would you please provide a background of your company's philosophy on how claims like this are handled and what the claim professional did after receiving first notice of the loss?"

- A: By Resilient's Corporate Representative.....

Generative Video & Audio

Video:

- chat.D-ID: is a web app using real-time face animation and advanced text-to-speech to create an immersive and human-like appearance.

Audio:

- Elevenlabs.io: Generates high-quality spoken audio in any voice, style, and language. Renders human intonation and inflections, adjusting the delivery based on context.
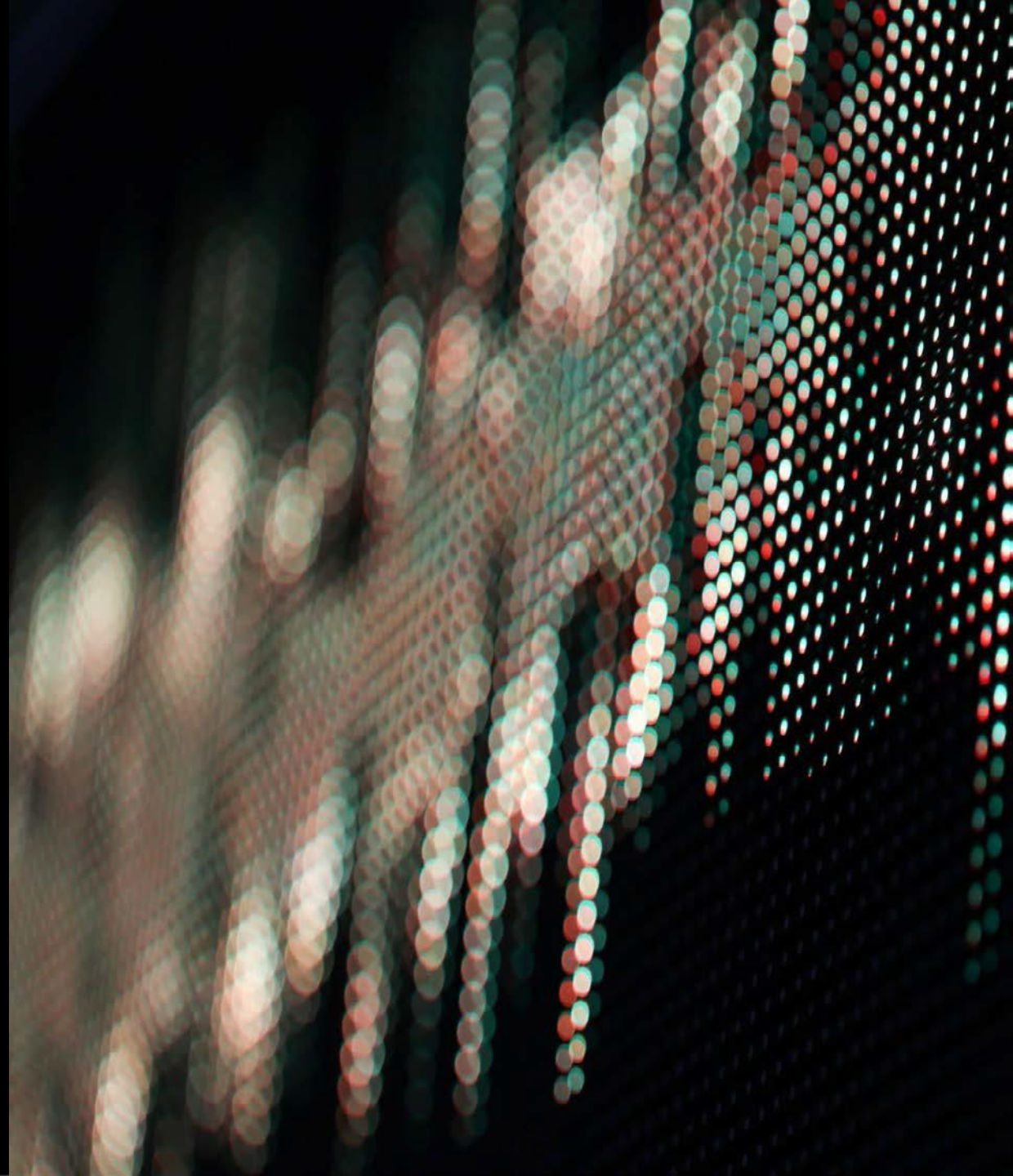
ABA AI Task Force

- To explore issues with bias
- How AI can pose threats to private personal and confidential client data, risking waiver of attorney-client and attorney work-product privileges.
- How AI can increase access to justice.
- Develop resources to make AI more accessible to lawyers and judges.

August 29, 2023

Key Takeaways

- Brown
- Bond
- McMurtry
- Chapman

Key Takeaways

THE FDCC:
LITIGATION INNOVATIONS FOR THE WORLD TO COME

Special thanks to

Bernd G. Heinze, Esq.
Executive Director
610 Freedom Business Center – Suite 110
King of Prussia, PA 19406
+610.992.0001 (o)
+215.990.9990 (m)
bernie@thefederation.org

The following slides were in the original deck. The were relocated to the end to be considered for inclusion by one or more of the panelists

Era of disruption

Booking the flight to Melbourne
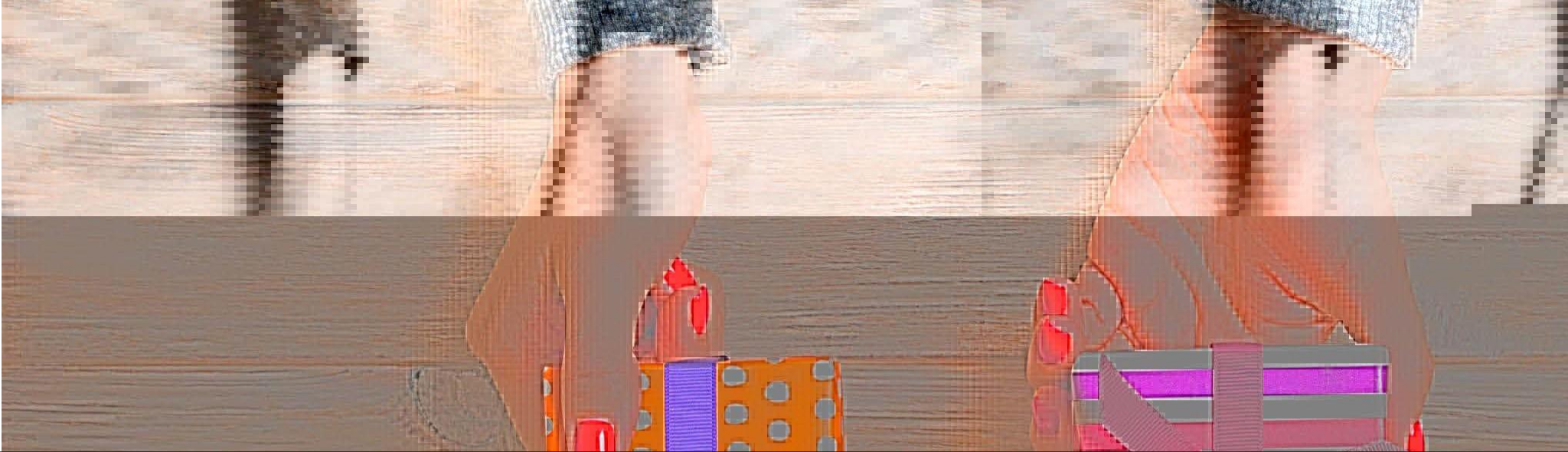
The Six Principles of Value Exchange

Insurance consumer of the future

Value Exchange

- Capital & risk management
  - Increased alignment and enhanced capabilities

Insurance consumer of the future

Value Exchange

- Business Support & enhancement
  - Smarter
  - Leaner
  - Higher Value

Insurance consumer of the future

Value Exchange
- Loss Resolution
  - End-to-end automation with very limited exceptions

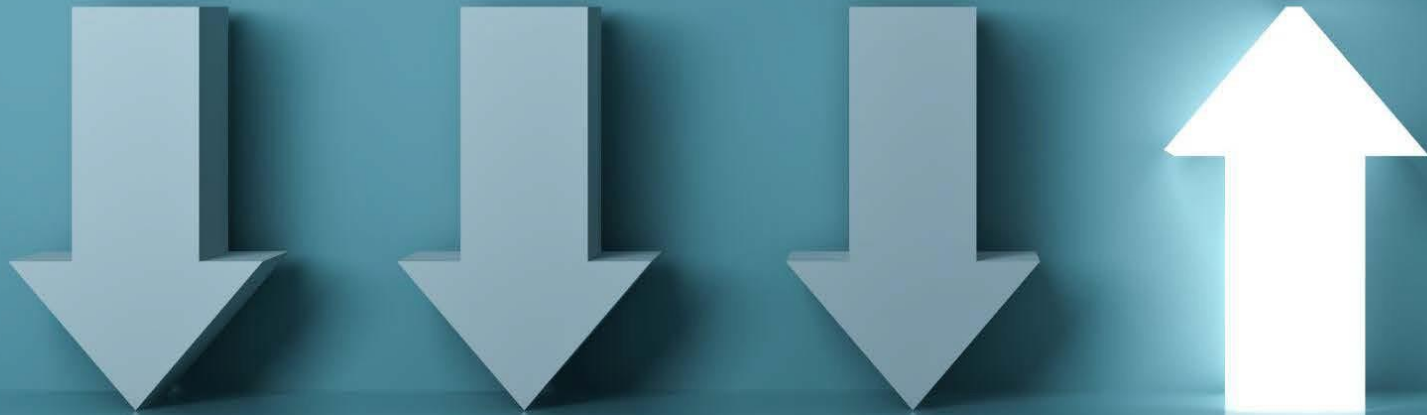# Insurance consumer of the future

Value Exchange
- Risk Transfer
  - Data driven and analytics-enabled

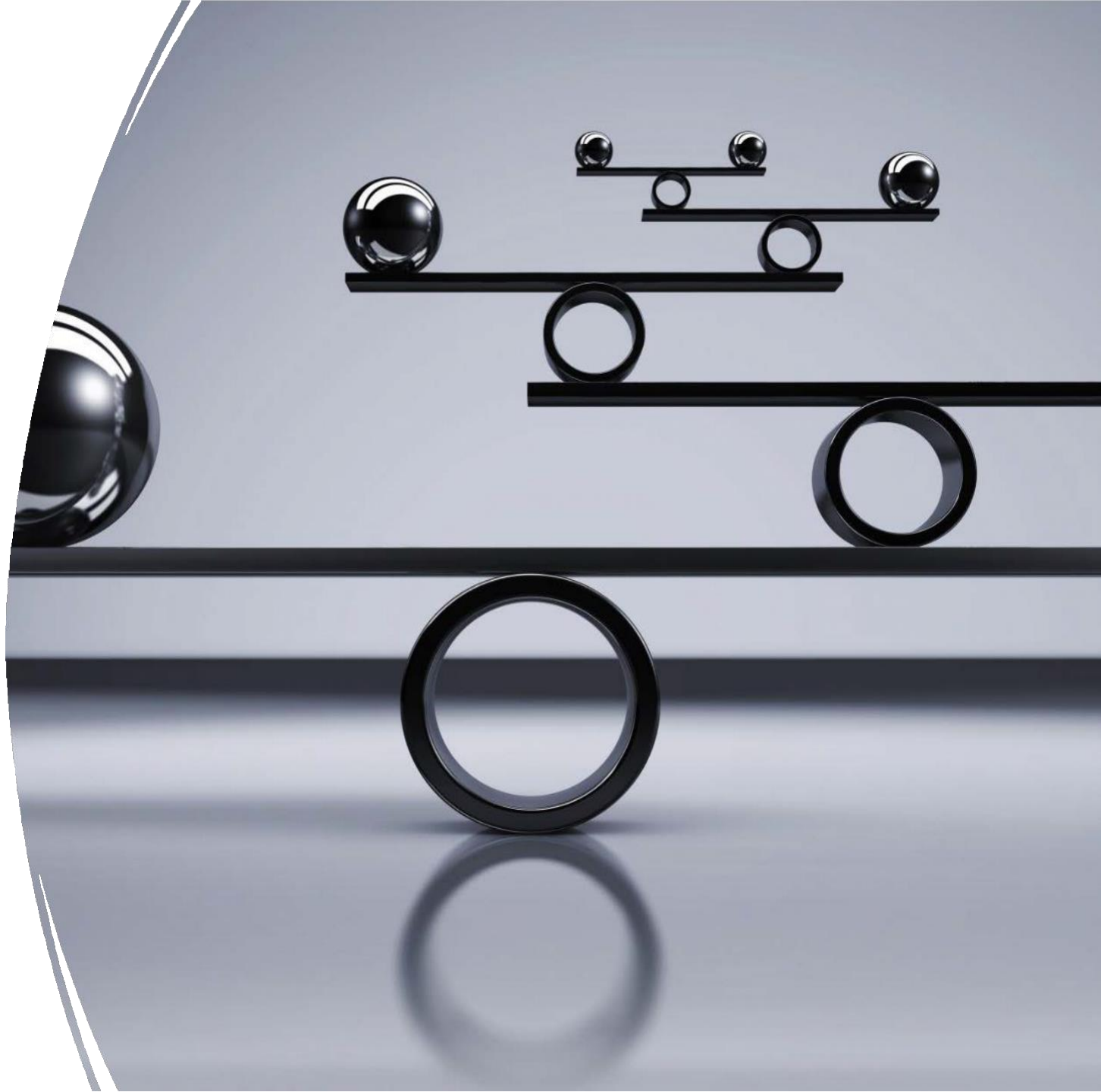# Insurance consumer of the future

Value Exchange

- Loss Prevention
    - Bespoke and timely (proactive) advice for all customers

Insurance consumer of the future

Value Exchange
- Product Innovation and business origination
  - Designed for differentiation

3 Types of Artificial Intelligence

Artificial Narrow Intelligence (ANI)

Stage-1

Machine Learning

▶ Specialises in one area and solves one problem

Siri   Alexa   Cortana

Artificial General Intelligence (AGI)

Stage-2

Machine Intelligence

▶ Refers to a computer that is as smart as a human across the board

Artificial Super Intelligence (ASI)

Stage-3

Machine Consciousness

▶ An intellect that is much smarter than the best human brains in practically every field

The Language of AI

What is Artificial Intelligence?

Artificial Intelligence is a field which combines computer science and robust datasets to enable types of problem-solving that we usually associate with human thinking.

The Language of AI

What is natural language processing?

Natural language processing (NLP) is the ability of a computer program to understand human language as it is spoken and written -- referred to as natural language. It is a component of artificial intelligence.

The Language of AI

What is machine learning?

Machine learning is a branch of AI which uses data and algorithms to imitate the way that humans learn, gradually improving its accuracy.

The Language of AI

What is Deep Learning?

A branch of machine learning that can often produce more accurate results using neural networks—which imitate the ways neurons interact in the human brain.

Mistakes

Accountability