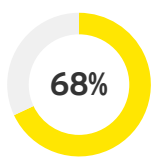


# When AI transforms insurance, will you be ahead of the curve?



cheaper premiums<sup>1</sup>



claim payouts in  
**3 seconds**<sup>2</sup>



A new insurance  
policy within  
**90 seconds**<sup>1</sup>

**These statistics are from New York-based insurer, Lemonade, which is using AI to delight its customers and disrupt competitors. In 2016, Lemonade was an outlier. Today, mainstream insurers are following its lead, with companies swiftly moving from proof-of-concepts to deployments at scale integrated into their business-as-usual processes.**

## What is artificial intelligence (AI)?

At its simplest, AI is the evolution of technologies that can be trained to process, reason and respond in much the same way a human does. Traditional methods of AI have been around for a number of years but the speed of technology to cope with the velocity and variety of information has accelerated the ability to train large networks and deliver faster outcomes. AI can now identify, decipher and process rich sources of unstructured information, such as images, videos, audio and natural language, and be trained to perform specific tasks.



The better the question.  
The better the answer.  
The better the world works.

<sup>1</sup> <https://www.cta.tech/News/i3/Articles/2017/September-October/How-AI-is-Disrupting-the-Insurance-Market.aspx>

<sup>2</sup> <https://www.prnewswire.com/news-releases/lemonade-sets-new-world-record-300386198.html>

## AI at work

AI is already underpinning:

### Front-end sales

Digitising the interaction through self-service chatbots and robo-advisors making personalised recommendations on policies and pricing.

### Product and marketing

Using AI to offer personalised offerings based on customer needs, driving intelligent lead generation.

### Personalised pricing and underwriting

Driving behaviour-based risk profiling through telematics with in-car sensors, wearables and health analytics platforms. AI is being leveraged to offer real-time underwriting through more sophisticated modelling and dynamic pricing. Surveys have shown that almost 50% of respondents were okay to turnover biometric data in exchange for discounts.<sup>3</sup>

### Customer management

Using virtual assistants to support a 24 X 7 self-service capability. Chatbots supported by intelligent algorithms cross-sell, upsell and prevent churn across existing customers. In call centres, AI can be trained to gauge a customer's tone and emotional state, directing dissatisfied customers to the agent best equipped to deal with the situation.

### Claims assessment

Using AI's image, video, natural language capabilities for First Notice of Loss assessment, claims classification and automated, no-touch, payout decision making within seconds.

### Fraud detection

Leverage social, geographic, third party and historic data to assess fraud risk across claims. AI is also being applied to mitigate claims leakage by highlighting cases more susceptible to this.

### Cyber security

Using AI algorithms to go beyond detecting known attack vectors to identify anomalous patterns observed on information networks.

### Back-office processes

Enabling intelligent contract reviews, accounts receivables and payable automation, procurement analytics and workforce optimisation.

## AI is a capability – not a point solution

While many insurers are starting to see benefits from pockets of AI application, those driving significant returns are approaching AI as a capability – not a tool. These companies typically:

### Taking a strategic view

Enabling AI requires significant investment and strong executive support. To allow for a long-term program of work with sustainable benefits, AI resources and assets should be deployed strategically. A siloed, tactical view will inhibit end-to-end AI transformation and will restrict integration into broader digital transformation programs.

### Start with the business problem, not the tech

Ignore the shiny toys. Find out how AI can assist to address pain points first and understand the outcomes it will deliver. Choose technology looking through the opportunity lens on a case-by-case basis.

### Focus on the "next best action"

The more data you feed into your systems, the more it learns and the smarter it gets. Over time, machine learning can predict a customer's next best action allowing organisations to have the right interventions at the ready.

### Have their data house in order

AI needs a strong data strategy, including curation, collaboration and governance. More often than not, AI performance is enhanced more by incrementally adding data, than by fine-tuning algorithms.

### Pay as much attention to people as to technology

AI often creates a huge paradigm shift, requiring employees to adopt new processes – and learn to trust and act upon the recommendations of their non-human peers. Like any other transformative technology, AI results depend on employee engagement. Tackle the human element first.

### Use multi-skilled AI teams

The most successful projects require a mix of specialists who understand how to train AI together with insurance specialists who understand the future of the industry.

### Regulate how AI is used

Building AI into insurance decision making requires a special emphasis on calibrating risk appetite and defining policy frameworks. You also need to consider ethics and biases. An AI makes decisions based on machine learning. What are you teaching your AI?

As insurers grapple with disruption on various fronts, AI will be a core enabler of sustainable growth. Used strategically, to resolve business and customer pain points, it will personalise the customer experience, streamline operations and help to create better underwriting models. But using it effectively will require insurance companies to rethink their product, process and people strategies.

<sup>3</sup> <https://www.insurbyte.com/single-post/2016/06/02/Consumers-Ready-to-Give-Insurers-Biometric-Data-For-a-Price>

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities. EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

#### About EY Data & Analytics

EY's Data & Analytics capability seeks to accelerate growth, increase profitability, streamline operations and protect against risk when building clients into intelligent information organizations.

We help solve their biggest challenges using the latest technical and business innovations. Our Data & Analytics people are the best and brightest in Asia-Pacific and are committed to transforming clients into information-driven organizations, where fact-based decision making is embedded in daily operations from the boardroom to the front line.

© EYGM Limited. All Rights Reserved.  
ED None  
PH1831544

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

[ey.com/analytics/apac](http://ey.com/analytics/apac)