

## Transforming insurance through generative AI

### Generative AI has the potential to revolutionise risk assessment, customer engagement and operational efficiency

In a world where digital research and development initiatives are soaring across industries, the insurance sector often finds itself trailing in concerted effort and resource allocation toward innovation, *writes Amit Tiwari, Xceedance.*

While insurance has traditionally empowered change in other sectors by managing and mitigating risks, the rapidly evolving nature of risks across industries is challenging archaic risk assessment methodologies. The time has come for insurers to harness the power of generative artificial intelligence (AI) to revolutionise risk assessment, customer engagement and operational efficiency.

The advent of generative AI presents an array of opportunities for insurers to overcome the challenges posed by data-driven decision-making, customer interaction and operational streamlining. The launch of ChatGPT4 in November 2022 marked a significant moment in integrating large language models and deep learning into the insurance industry. This breakthrough technology can enhance the claims lifecycle and underwriting processes, improving efficiency. According to McKinsey & Company, generative AI could unlock 35% to 70% more economic value than traditional AI deployments, paving the way for many new use cases.

Generative AI addresses the demand to assimilate data from diverse sources and extract insights into evolving risks. It allows insurers to gain a deeper understanding of underlying risks, ensuring they stay abreast of technological advancements in various industries by comprehending associated risks, strategically using data and embracing intelligent technologies. The shift from generalised risk assessments and standard pricing models to hyper-personalised insurance products becomes feasible, as generative AI facilitates rapid mining of data specific to each insurable asset.

#### Expedite data processing

One of the most compelling advantages of generative AI is its ability to expedite data processing, elevating insurance professionals from laborious, repetitive tasks to higher-value responsibilities. The acceleration of data-driven processes enables insurers to provide enhanced client value, fostering a more consultative relationship. Moreover, as the insurance landscape contends with emerging risks like cyber threats and climate change, generative AI simplifies the process of identifying patterns and correlations within vast datasets. This accelerates innovation by swiftly allowing insurers to unearth deep insights and refine risk assessment models.

A recent demonstration by our team showcased the power of generative AI in revolutionising risk assessment and underwriting. Using the ChatGPT platform integrated into the secure Azure OpenAI Service, an extensive property survey report was uploaded and analysed. Traditionally, an underwriter spends hours reading and comprehending such reports. However, by leveraging AI, the underwriter could instantaneously extract key highlights, ensuring no critical information was overlooked and comprehending the report with unprecedented speed. This demonstration highlighted the potential to reshape and optimise core insurance workflows.

The application of generative AI extends beyond individual demonstrations. In the UK, we are collaborating with several insurers and brokers to establish a sandbox environment for experimenting with this innovative technology. This approach ensures motivated users gain exposure to generative AI, enabling them to identify high-return use cases and fail fast, fostering technological exploration. While generative AI is relatively new and untested in an industry where human expertise is crucial for customer engagement, this approach provides the groundwork for successful integration.

#### Challenges to adoption

Indeed, challenges accompany the adoption of generative AI. The technology is nascent and the unique blend of human expertise and AI capabilities required in insurance underscores the importance of a cautious approach. However, as the generative AI domain matures and ethical and regulatory frameworks develop in tandem, the insurance sector could significantly broaden its application. Such expansion would lead to more intelligent strategic planning and seamless collaboration with technology providers, generating economic benefits throughout the value chain.

As insurance organisations become increasingly comfortable with adopting intelligent technology in their trusted enterprise environment, there is potential for future generative AI tools to redefine traditional operating models. The insurance industry stands at the cusp of a transformational era, where data-driven evolution promises both efficiency gains and a renewed capacity to fulfil customer needs. By embracing the potential of generative AI, insurers can embark on a journey of profound change fortified by insights, innovation and a commitment to superior customer experiences. ■

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