



Insurance Trends 2024

xceedance.com

Real Applications Beyond the AI Hype

*How insurers can achieve next-level
results with artificial intelligence*

XC xceedance
Your way forward

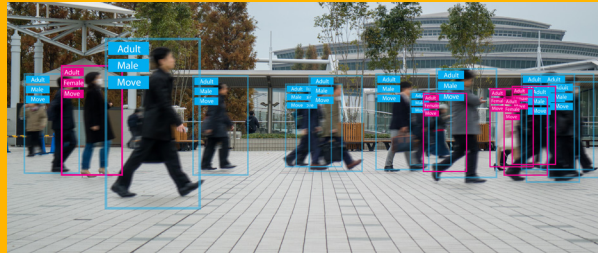
Contents

01



Introduction →

02



Four Major Challenges to Overcome →

01. Building Trust in AI
02. Evolving Risk Assessments
03. Managing Policyholder Expectations and Personalized Coverages
04. Enabling Accelerated AI Integration

03



Conclusion →

04



About Xceedance →

Introduction

In an era where digital transformation is paramount, Artificial Intelligence (AI) is a beacon of innovation for insurers. The industry, poised to move beyond basic task automation and machine learning, must focus on in-depth testing, workflow transformation, customization, and integration to harness the power of AI.

Investments in AI have been substantial across various insurance operations, such as underwriting, claims processing, customer service, and fraud detection. However, these advancements come with their own challenges, including staffing, regulatory compliance, security, and effective integration, which are critical to efficiently utilizing AI technologies.

As we anticipate a significant paradigm shift, insurers must pivot towards building trust in AI solutions, enhancing their accessibility, and making strategic investments in critical areas. This shift will redefine their operational models and position them for future-ready resilience.



A P&C Market Primed for Continued Investment in AI

- Annual growth rate of premiums has ranged between **six to eight** percent since 2018
- Combined ratios have been **improving**
- Surplus lines have seen **19.2%** growth, and direct premiums written in 2022 set a record
- Costs will remain high until inflation is under control, but, at the same time, insurers need to remain **innovative** and **competitive**

Four Major Challenges to Overcome

01

Building Trust in AI

Trust is the cornerstone of AI's successful adoption in insurance. To foster this trust, insurers must focus on creating transparent AI systems that undergo rigorous testing. A governance framework characterized by its unbiased, explainable, and evident nature is essential. This framework should address inherent biases, safeguard data and algorithm integrity, and ensure privacy is respected.

Transparency in how AI systems make decisions and the ability to challenge and validate these decisions by human operators are crucial. By documenting the AI's training methods and decision criteria, insurers can ensure that their AI systems are not just efficient but also reliable and trustworthy.



The Power of Testing to Build Trust

- Use a variety of **real-life** scenarios
- Consider **adversarial testing**—with false information—to make sure the system is performing as it should
- Communicate the **results** of testing and establish a feedback loop

02

Evolving Risk Assessments

AI poses unique challenges but also offers unprecedented opportunities. The successful insurers will be those who can integrate AI seamlessly into their operational workflows.

This involves a complete overhaul of traditional processes, such as P&C underwriting, which have remained largely static over the years. Generative AI's ability to pull together varied data sources provides a more profound understanding of risks, which is particularly vital in today's landscape of emerging threats like cyber risks and climate change.

The use of advanced AI tools, such as ChatGPT integrated with Azure OpenAI Service, exemplifies this transformation. This integration enables insurers to rapidly process and analyze vast amounts of data, revolutionizing risk assessment and underwriting processes. Such capabilities allow quicker, more accurate decision-making, enhancing efficiency and customer satisfaction.



GenAI in Action:

Data Extraction in Claims

- Claims managers and underwriters face challenges with extracting and interpreting data from unstructured, multi-page documents like claim adjudicator reports
- The process is time-consuming and susceptible to human errors and missed critical information
- This can be solved with advanced prompt engineering and the latest Large Language Models, incorporating techniques like function calling and schema engineering for precise data extraction and interpretation



KEY BENEFITS:

- **50X increase** in efficiency compared to manual processes
- High accuracy rate of **91%**
- **Three** additional insights uncovered per report, surpassing manual methods
- Interpretation bias eliminated, improving the **quality** and **reliability** of data analysis



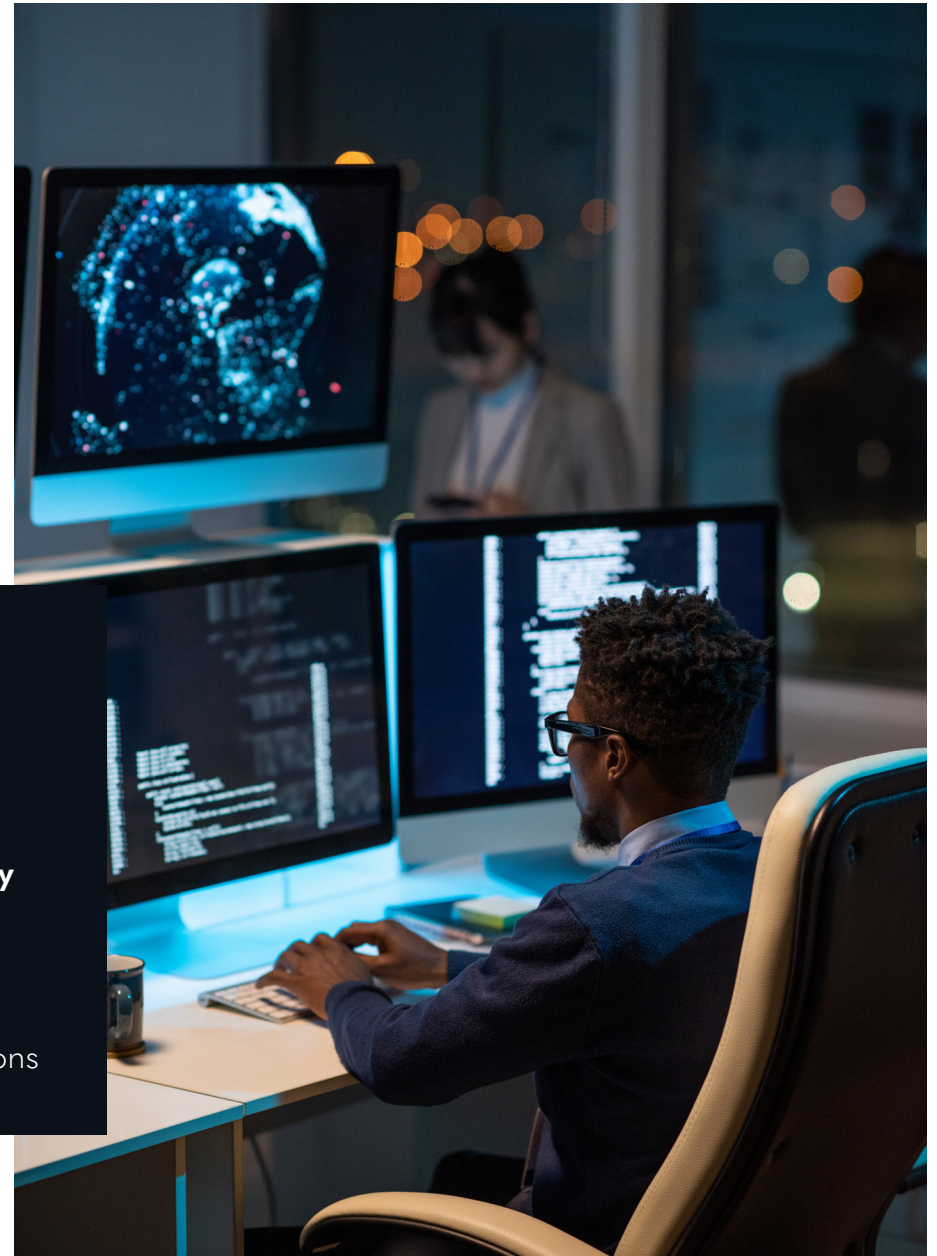
Slip Comparison

- Underwriters spend considerable time manually reviewing property survey reports
- The comprehensive report is uploaded for analysis using the ChatGPT platform integrated with Azure OpenAI Service for processing
- AI-enabled solution: Instant extraction of crucial highlights from the report



KEY BENEFITS:

- **No vital** information is missed
- The time taken for comprehending the report is **significantly reduced** from hours to minutes
- **Enhances efficiency** in the underwriting process
- Enables underwriters to **make faster**, more informed decisions



03

Managing Policyholder Expectations and Personalized Coverages

The shift from a generalized to an individualized risk assessment approach marks a significant advancement in AI's application in insurance.

This shift enables insurers to tailor policies with unparalleled precision, considering each customer's unique needs. Generative AI's ability to analyze extensive datasets allows for creating bespoke insurance policies.

This is particularly evident in areas like health insurance, where AI systems can evaluate personal health data to offer highly personalized policies. Such customization provides customers with precisely what they need and allows insurers to manage risks better and refine pricing strategies, ensuring a more sustainable and profitable business model.



Auto Insurance Underwriting

One example of how insurers can rethink the underwriting process based on access to and use of new data.



TRADITIONAL INFORMATION REQUIRED:

- Personal details
- Driving history
- Vehicle information



NEW DATA SOURCES:

- Telematics data
- Location and geospatial data
- Social media and online data
- IoT and sensor data



Generative AI facilitates the rapid mining of data specific to each insurable asset, driving a shift from generalized risk assessments and standard pricing models to hyper-personalized insurance products.

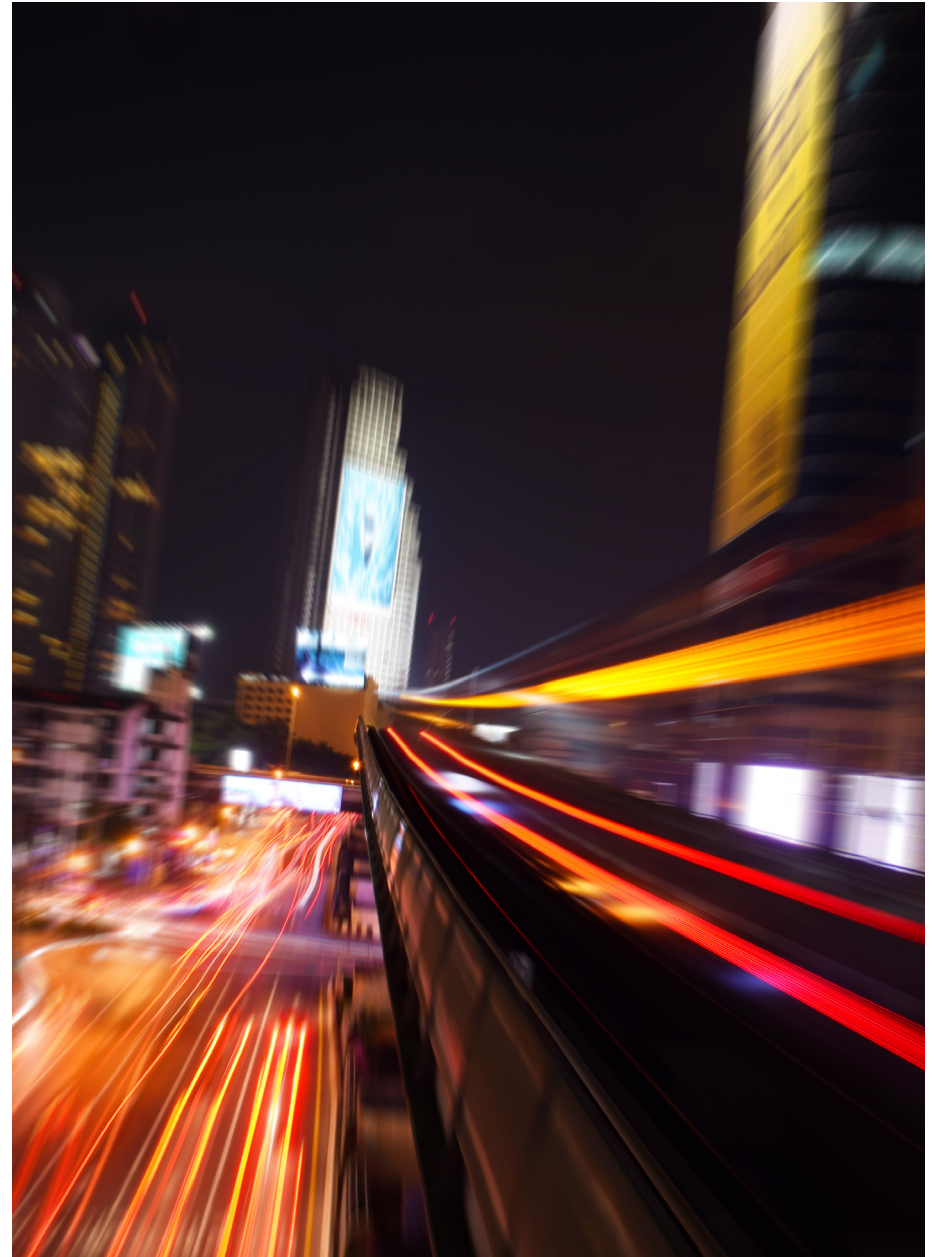


04

Enabling Accelerated AI Integration

The effective deployment of AI in insurance hinges on integrating various data sources into AI platforms for informed decision-making. Creating a sandbox environment for Generative AI experimentation is crucial to facilitate this. This environment allows users to explore AI capabilities, identify valuable use cases, and adapt the technology to their needs.

Building a multidisciplinary team comprising business experts, IT specialists, and data scientists is essential to guide the integration of AI into organizational processes. This team's focus should be on adapting AI solutions to meet the organization's unique requirements, starting with low-barrier use cases and progressively advancing to more complex applications. By doing so, insurers can develop the necessary expertise and capabilities to deploy AI effectively and safely.



Conclusion

A strategic approach is required as the insurance sector embarks on this journey of integrating AI. This involves rapid adoption in certain areas while proceeding with caution in others. The transformative potential of AI in the insurance industry is immense, but realizing this potential requires a commitment to building trust, understanding the technology, and strategically implementing AI solutions.

Real Applications Beyond the AI Hype is the culmination of insights gathered from global discussions with carriers and MGAs, delving into the various challenges and opportunities AI presents for insurers of all sizes.

About Xceedance

Xceedance provides strategic operations support, technology, and data services to drive efficiencies for insurance organizations worldwide. The company helps insurers launch products, implement intelligent technology, deploy advanced analytics, and achieve business process optimization.

For more information, visit www.xceedance.com.



Contact Us

UNITED STATES

Worcester,
1 Mercantile Street,
Worcester, MA 01608,

UNITED KINGDOM

London,
8 Lloyd's Avenue, First Floor,
London, EC3N 3EL, England

AUSTRALIA

Sydney,
Level 35 One, International
Towers 100 Barangaroo Avenue
Sydney, NSW 2000

POLAND

Krakow
High Five Building 4
21 Pawia Street, 31-154

INDIA

Gurugram,
Building 6, 4th Floor Candor
Tech Space, Sector 48, 122018,

Bengaluru,
2nd floor, Novel MSR Park,
Marathahalli, Bengaluru, 560037

Noida,
Candor Techspace,
12th floor, Tower 3, Block B,
Industrial Area, Sector 62,
Noida 201309

Pune,
19th Floor, Amar Pristine
81, Koregaon Park Annexe,
Mundhwa, 411036



Insurance Trends 2024

xceedance.com