

GFIA paper on AI in the insurance industry

General comments

Artificial intelligence (AI) is transforming many sectors across the global economy, and the insurance industry is no exception. New AI applications are emerging throughout the insurance value chain, enhancing efficiency and effectiveness. Initially, AI in the insurance industry centred around customer service in the form of chat bots. More recently, applications in the field of underwriting, claims handling and sales and distribution are becoming more widespread. Developments such as generative AI and the availability of new data sets through the Internet of Things (IoT) and open data are expected to further accelerate this development in the coming years.

In this paper, the Global Federation of Insurance Associations (GFIA) highlights several illustrative examples of how and why insurers make use of AI. Furthermore, this paper outlines some of the many safeguards insurers have already put in place to prevent potential unintended outcomes of the use of AI. Finally, this paper will look at the current supervisory and regulatory response to the use of AI in the insurance industry and provide some principles for possible future actions in that domain.

How insurers use AI

As insurers around the world increasingly adopt AI to optimise processes and enhance efficiency, understanding its scope and capabilities is becoming business critical. AI is reshaping the industry in many innovative ways, from enhancing customer interactions to improving risk modelling and fraud detection.

To provide context for how AI is being applied, the OECD defines an AI system as: *“a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment.”*

The following applications are already widely used in the industry, and with AI’s capabilities still rapidly expanding, increasingly complex uses will inevitably be applied in the future.

- Customer service:

AI helps insurers to meet the expectations of their customers, who increasingly expect prompt and seamless customer experiences. One AI application that insurers use is speech detection to generate automated transcripts and summaries of calls with customers. Those transcripts are then automatically made available when the customer contacts the insurer again. Some insurers are also experimenting with generative AI applications that provide real time suggestions for employees on what further to ask or how to help a specific customer.

- Risk modelling and natcat:

AI is also being used for more accurate risk modelling. This allows for more innovative products, such as usage-based or personalised insurance. These products can help reduce existing protection gaps and help to insure previously uninsurable risks.