The Use Of Artificial Intelligence (AI) In Policy Underwriting, Coverage, And Claims Handling

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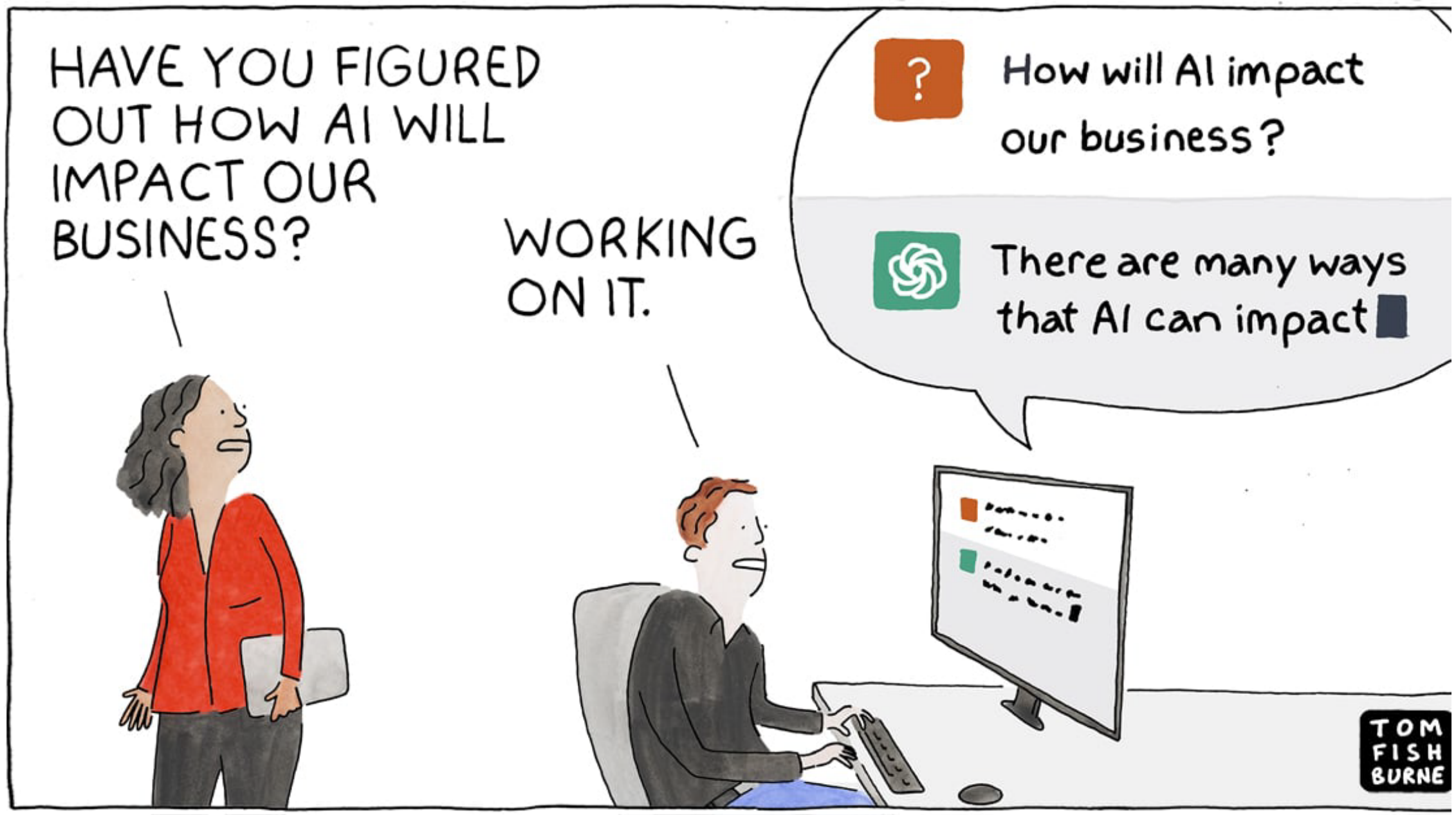
Outline for Today's Presentation

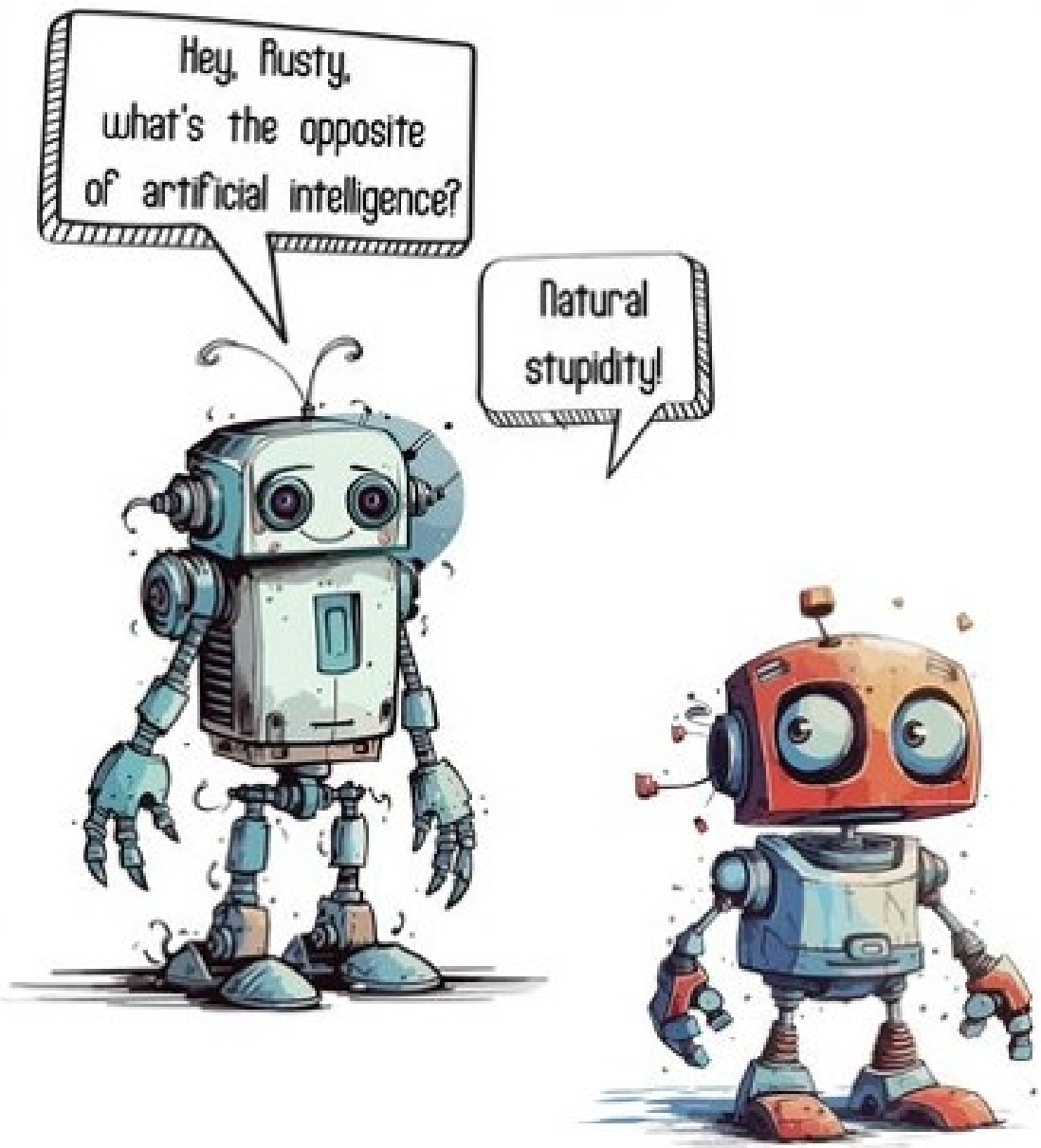
First Topic: AI in Policy Underwriting

Second Topic: AI in Coverage Decisions

Third Topic: AI in Claims Handling


HAVE YOU FIGURED OUT HOW AI WILL IMPACT OUR BUSINESS?
WORKING ON IT.
How will AI impact our business?
There are many ways that AI can impact
TOM FISH BURNE

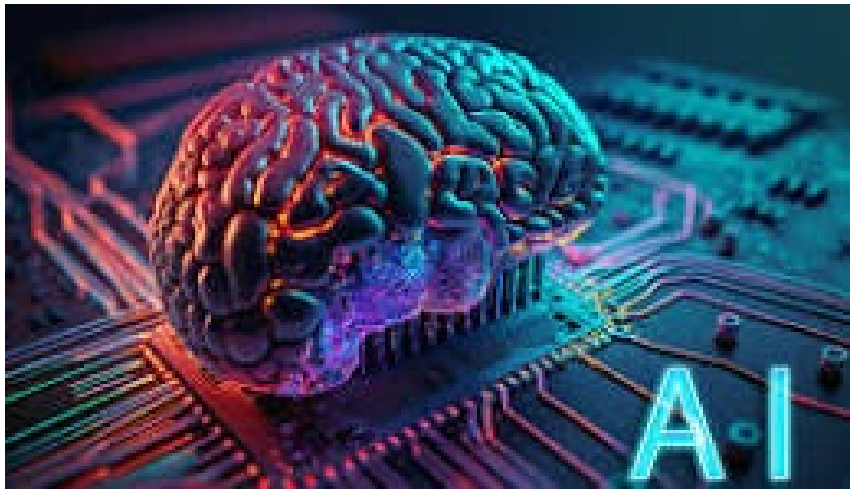
What is Artificial Intelligence?


Hey, Rusty, what's the opposite of artificial intelligence?
Natural stupidity!

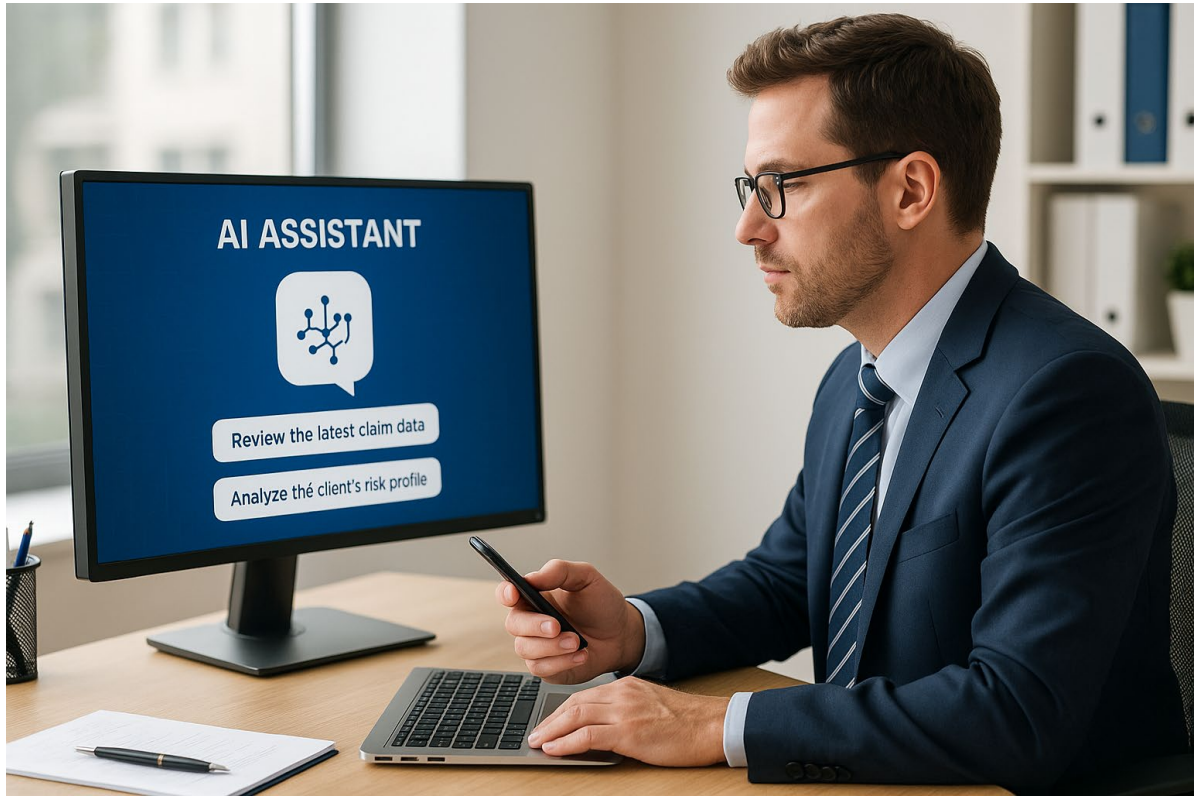
"The science of making machines think and act like humans."

Core Abilities:

- **Learning from data (Machine Learning)**
- **Understanding language (Natural Language Processing)**
- **Recognizing images and patterns (Computer Vision)**
- **Making decisions and solving problems (Expert Systems)**



Does Anyone Currently Use AI In Their Agency?



"We've got a problem. I've turned it on
but I can't turn it off again."

AI In Policy Underwriting


I worry I'll be replaced by a robot...
Hey... Don't you worry!...
I DO THE WORRYING FOR YOU...
BREAK ROOM
ARTIFICIAL INTELLIGENCE
MARGULIES
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Automated Data Collection and Preprocessing

AI automates the extraction and analysis of data from various sources, including:

- Applications and forms
- Medical records
- Social media (where permitted)
- Telematics and IoT devices (e.g., car sensors, fitness trackers)
- Public records and credit history

Risk Assessment and Scoring

Machine learning models evaluate an applicant’s risk level by analyzing historical data and patterns. This includes:

- Predictive analytics to estimate the likelihood of claims
- Behavior-based models (e.g., driving behavior for auto insurance)
- Natural language processing (NLP) to analyze unstructured data like doctor's notes or claims descriptions
- Pricing Optimization

Fraud Detection

AI flags potentially fraudulent applications during underwriting by:

- Identifying anomalies or inconsistencies in data
- Using pattern recognition to detect suspicious behavior
- Leveraging predictive models trained on past fraud cases

Real-World Examples

- **Allstate:** Uses AI for predictive modeling and behavioral analytics.

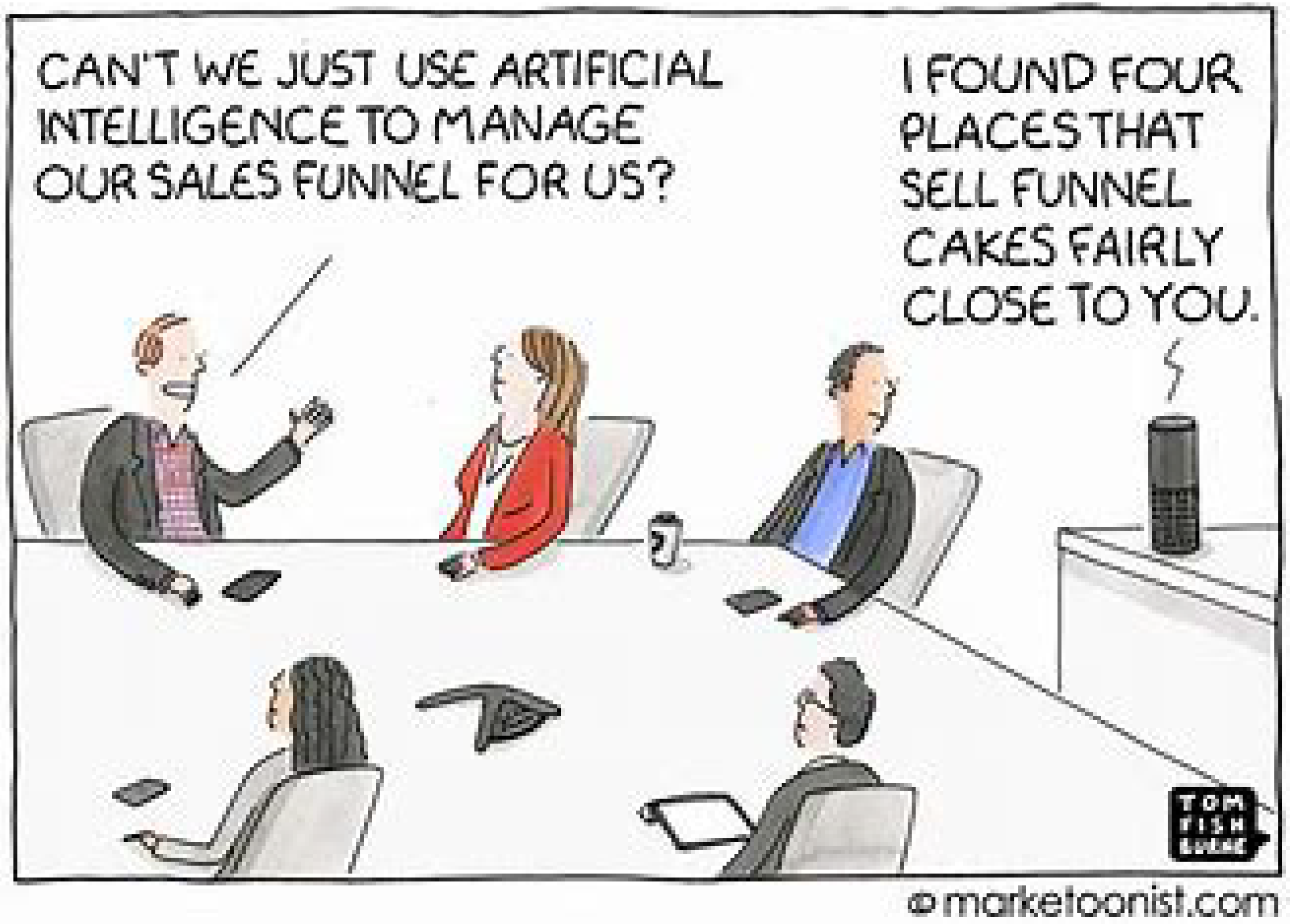
- **Progressive:** Utilizes telematics to assess driver behavior for usage-based insurance pricing through SNAPSHOT.

- **Zurich Insurance:** Uses image recognition and AI to evaluate photos of property damage or condition to assist underwriting and claim decisions

- **John Hancock:** uses AI and partners Fitbit and Apple Watch to offer life insurance that adjusts based on health data (steps, heart rate, sleep). AI analyzes continuous data streams to assess risk and update premiums or rewards.

What Does This Mean For You?

- Insurance agents will get new features to automate workflows but will have to learn the nuances of these new systems
- Insurance agents will be expected to adopt technology faster than their competitors (because the insurance industry is pushing AI)
- Insurance agents will have to field new objections and questions as customers become more informed on their risk


CAN'T WE JUST USE ARTIFICIAL INTELLIGENCE TO MANAGE OUR SALES FUNNEL FOR US?
I FOUND FOUR PLACES THAT SELL FUNNEL CAKES FAIRLY CLOSE TO YOU.
TOM FISHBURNE
©marketoonist.com

AI In Coverage Decisions

Policy and Claim Text Analysis with NLP

AI systems use Natural Language Processing (NLP) to:

- Parse the insurance policy language: Interpret exclusions, limits, definitions, and coverage clauses.
- Analyze the claim description: Understand what happened, what was damaged, when, and how.
- Match the two: Determine if the event described in the claim matches what is covered by the policy.

Document and Evidence Extraction

AI can process:

- **Photos, videos, receipts, repair estimates**, and other documents submitted with the claim.
- Use **image recognition** to detect damage types (e.g., fire vs. vandalism).
- Use **OCR** (Optical Character Recognition) to extract key data from documents like police reports or hospital bills.

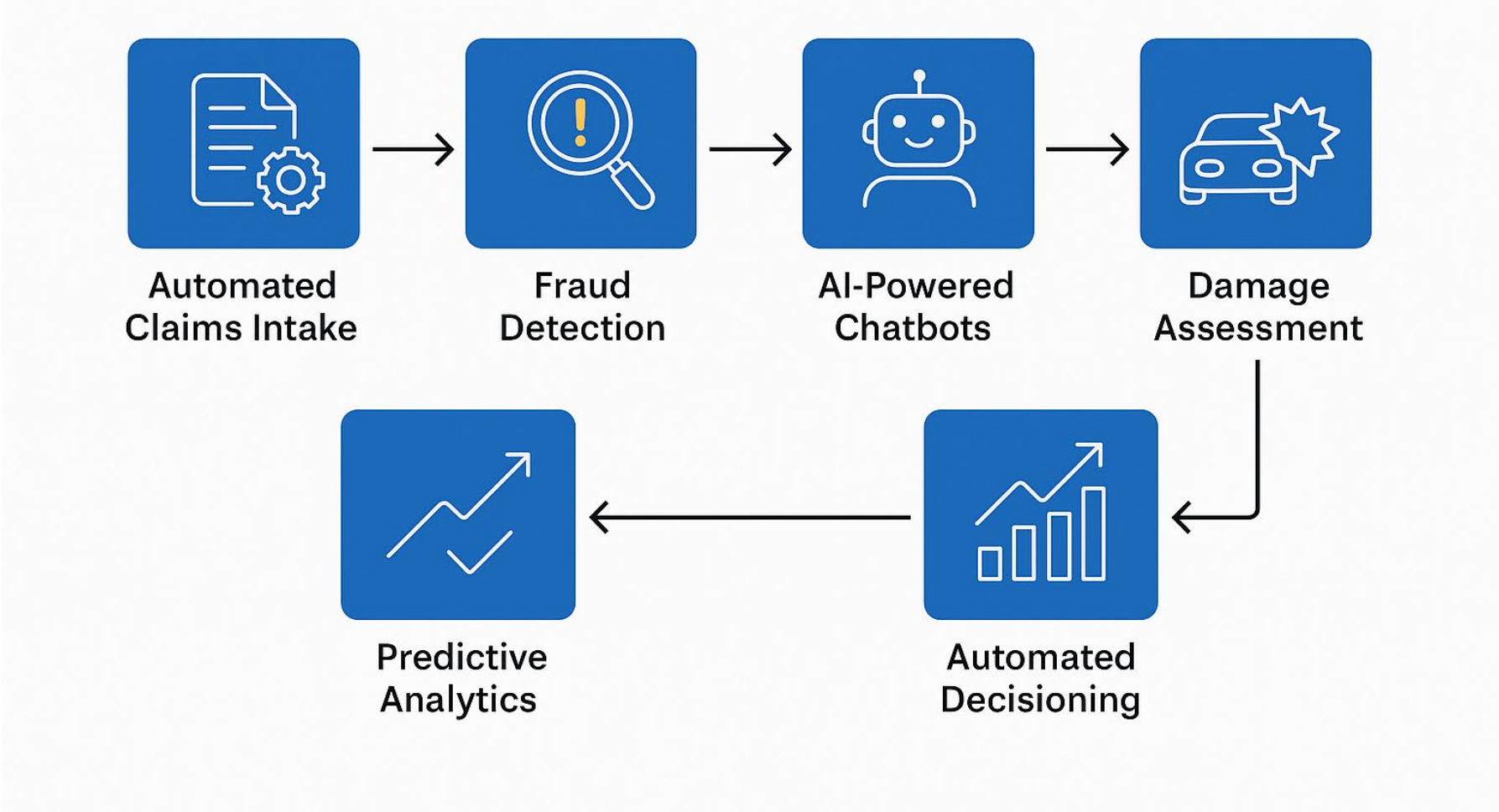
Machine Learning and Feedback Loops

Over time, AI:

- Learns from human adjuster decisions to improve its own accuracy.
- Refines its models based on successful claims, reversals, litigation outcomes, and customer complaints.
- Some insurers are building “explainable AI” layers that show why a claim was denied or approved.
- These systems generate plain-language summaries of decisions, referencing specific policy terms and claim facts.

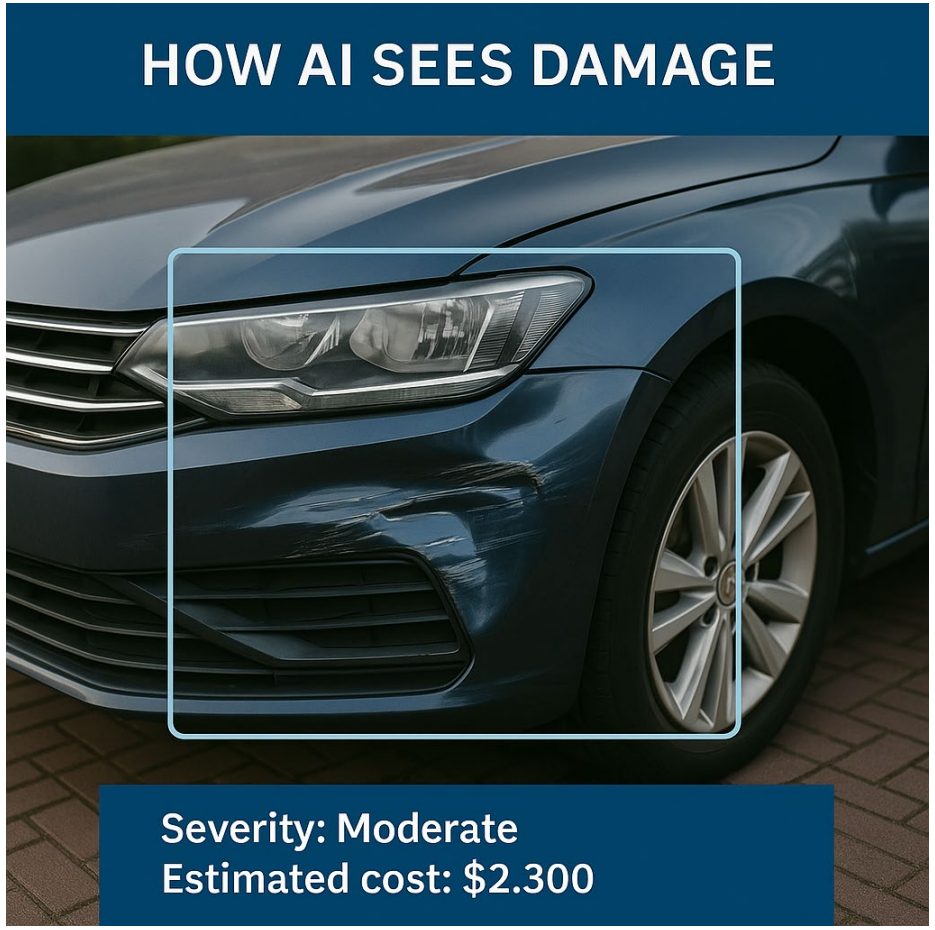
AI In Claims Handling

Streamlining Claims Process with AI



Smarter Assessments with AI

- Computer vision for photo/video damage evaluation
  - Geico – utilizing AI to accelerate vehicle accident claims
  - Auto shop will send photos of vehicle with repair estimate and Geico will use AI to confirm the estimate in minutes
- Predictive analytics for claim outcomes
  - State Farm – machine learning technology to predict whether claim is a total loss or if repairs are in order



Legal and Regulatory Challenges

- Accountability for AI Decisions:
- Fairness, Privacy, and Data Protection

Liability in an AI-Driven Claims World

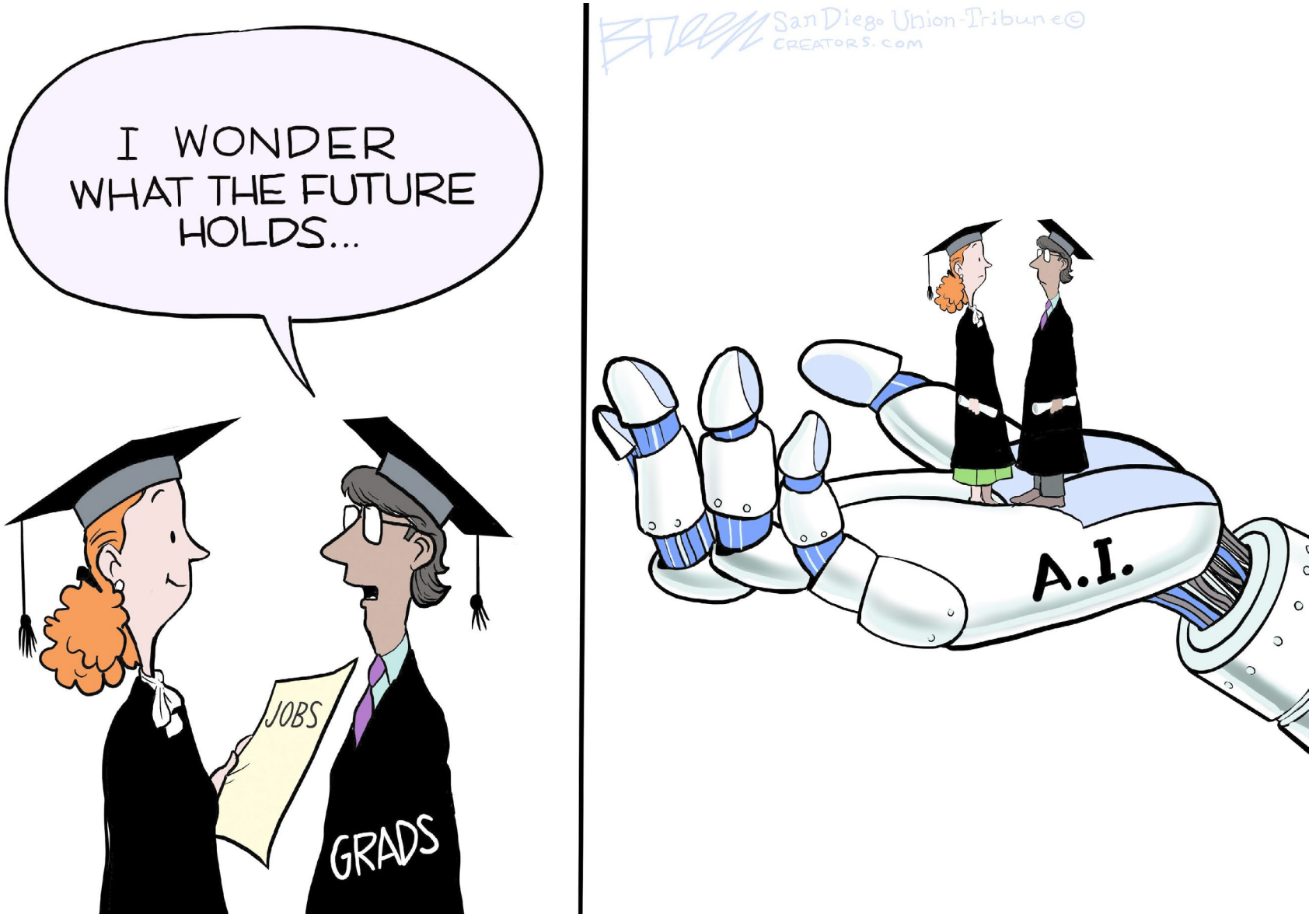
- Disputes over AI decision – e.g., denied claims
- Need for explainability in AI models
- Litigation risks from unfair outcomes

Mitigating AI Risk in Claims

- Use explainable AI frameworks
- Regular audit for bias & accuracy
- Maintain human oversight for critical steps

Final Thoughts?

Questions?


I WONDER WHAT THE FUTURE HOLDS...
JOBS
GRADS
San Diego Union-Tribune
CREATORS.com
A.I.

Thank you!

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