Adopting AI in the Insurance Industry
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Insurance companies are increasingly investing in AI and machine learning across all aspects of their business.

**Carriers Investing $5+ million on AI Annually**

A study by Genpact found that 87 percent of carriers are investing more than $5 million in AI every year. This is more than both banking (86 percent) and consumer goods and retail companies (63 percent).

Two practical applications for this technology – claims and underwriting fraud – provide opportunity to help solve some of the industry’s biggest challenges.

**Solving the Fraud Issue with Tech and AI**

Fraud is estimated to be more than $30 billion every year in the U.S. alone.

And, according to the Coalition Against Insurance Fraud, 2018 was the third consecutive time in six years that insurers reported increasing amounts of fraud. Nearly three-quarters of insurers reported that fraud had increased either significantly or slightly, an 11-point increase since 2014.

To address this issue the Coalition’s survey reinforced Genpacts’ findings: nearly two-thirds of insurers planned to acquire new technology in the next year for enhanced detection of claims fraud, and another one-third would add technology to address underwriting fraud.

Deloitte further notes that among the areas that will see the greatest impact are fraud detection and risk analysis. Beyond these important use cases, AI and machine learning assist with customer due diligence, augmenting existing processes with analysis of external data sources.

**Transformation to ‘Predict and Prevent’**

The power of AI, according to experts, is its ability to analyze mass amounts of data from a wide range of sources including previous claims, customer information, and social media, to help combat fraud.

A senior data scientist at AXIS Capital recently noted that 80 percent of internal data is unstructured in the form of PDF and emails, and that AI’s text mining and natural language processing could help reveal core hidden information.

Additionally, she pointed to AI’s ability to scrape information from the Internet, gathering information in real time to understand evolving risks.

With these capabilities, AI can transform the industry, and underwriting in particular, into the ‘predict and prevent’ mode.

**‘Seismic Impact’ on the Industry**

That opinion is shared by others, including EY and McKinsey, with the latter reporting that AI “will have a seismic impact on all aspects of the insurance industry.”

McKinsey recommends that as insurers onboard these technologies, they take a multi-pronged strategy that begins with getting smart on AI-related technologies and trends, and includes the development and implementation of long-term technology plan.

**Comprehensive Data Strategy**

The firm also underscores that AI technology performs best with a high volume of data from multiple sources, and that carriers must develop a comprehensive data strategy. Internal data will need to be organized in ways that enable and support the agile development of new analytics insights and capabilities. With external data, carriers must focus on securing access to data that enriches and complements their internal data sets.

**The Radiance Solution**

Radiance is a powerful tool to help identify potential fraud and other concerns. It ingests and processes large amounts of unstructured data, providing actionable, prioritized results that can be further refined by entering publicly-available identifiable information.

Radiance’s deep web listening goes beyond traditional social media monitoring tools, using internally-developed and proprietary algorithms to capture online content relevant to insurance fraud.

Radiance can apply the same machine learning capabilities against existing legacy databases, integrating those disparate sources and analyzing that data against risk and other industry specific needs.