

## AI and Insurance: The trend that evolves or revolutionizes the Insurance Industry?

According to leading insurance providers like Allianz, the insurance industry is estimated to be one of the global industries that would benefit the most from the introduction of AI technologies, with an estimated value add of \$1.1tn annually. This surprising statistic is not unfounded as there are already some industry players who are employing AI and GenAI in their daily operations and processes. However, before delving into the impacts of AI and GenAI, what are the differences between AI and GenAI? Simply put AI applications capitalize on AI's ability to identify and draw conclusions based on a dataset while predicting future trends. GenAI applications on the other hand are trained on massive current datasets through large language models (LLMs) that aim to generate new artistic and/or literary content that mimics the uniqueness of human creativity i.e. the digital world's paintbrush.

With a clearer understanding of the differences between AI and GenAI, let us now delve deeper into how some of the insurance players are employing AI and GenAI in their underwriting and daily operations before exploring how the insurance industry could look like in the next five to ten years. Currently, large players like Allianz and VIG have deployed and/or are actively seeking to deploy AI and GenAI applications in the insurance value chain. One example is the introduction of Neptune by Allianz, an AI-enabled platform that aids the company in claims processing. With the myriad of use cases in the industry coupled with favourable perceptions towards the implementation of AI, it is not hard to see why the insurance industry as a whole has looked favourably to the introduction of AI and GenAI. According to a survey done by KPMG in Q4 2023, it was found that more than half of the surveyed CEOs were confident that AI implementation projects would provide breakeven returns in 3-5 years. Evidently, AI and GenAI will likely play a pivotal role in the next development phases of the insurance business.

After understanding more on AI and GenAI, how would the insurance industry look like in years to come? For one, risk management for insurance companies would see a marked improvement as GenAI applications could analyze and predict the risk profile of individual policyholders based on their daily habits like driving. An integrated GenAI platform will also provide dynamic risk management where it can warn policyholders of potentially risky situations and provide less risky alternatives. Additionally, the claims and underwriting process will be streamlined with AI platforms as insurance providers will be able to offer more tailored and specialized policies for the wider public that provides more customized coverage at a lower price range.

However, insurance providers have to be extremely mindful of potential cyber attacks that stem from AI implementation. Malicious actors in the AI space will look to capitalize on current AI applications like Chat GPT to write and create their own variation of existing ransomware, potentially increasing the frequency of such attacks. One example would be an impersonation scam which took place in 2019 that targeted a British energy provider. The scammer employed deep fake videos to induce the company to erroneously transfer

€220,000 to himself. Therefore, while insurance companies are eager to implement AI technologies in their daily operations, forming a strong partnership with cybersecurity firms is paramount to maintaining a stable and safe ecosystem. This ensures the insurance industry can grow to its full potential while capitalizing on the capabilities of AI and GenAI.

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