

## The Future of Insurance: AI's Role in the Insurance Industry (Part 1)

In the previous article, we explored the revolutionary capabilities of AI and the potential landscape of the insurance industry with the implementation of AI. In this new series of articles, we will be taking a closer look at some use cases of AI and how it might affect specific areas of the insurance industry.

With the rapid development of AI including GenAI and machine learning, many insurance companies are realising the benefits of implementing AI applications into their daily operations. According to a KPMG survey on global financial institutions, it was found that significant resources have been allocated to the implementation of AI technologies which includes banks and insurers. For example, a prominent Hong Kong-based insurer has invested HK\$20m into AI capabilities to improve its services. Evidently, AI has presented new and promising new growth areas for insurers and would most likely would a catalyst for change.

Unsurprisingly, AI automation has ranked in the top three technologies that had a positive impact on profitability and productivity alongside data analytics and public cloud technologies. Additionally, the general consensus among insurers has alluded to a strong focus on fraud detection, risk management and virtual assistants/chatbots in the near to medium term for AI implementation. These seemingly low-hanging fruits of the value chain might seem insignificant but marks a major step forward for insurers and end customers as improvements in the aforementioned areas will streamline end-user experience and the insurer's operations.

Taking a closer look at how AI can improve claims management and better detect fraudulent claims, AI technologies will be able to perform precise fraud detection and provide highly accurate claims estimates. Firstly, AI algorithms will be able to detect potentially fraudulent claims by effectively analysing images and patterns to ascertain the authenticity of insurance claims and supporting documents. Secondly, AI algorithms can compare the claims history of individual claimants to determine claim approval rates and length of relationship with the insurer to aid in the claims approval process. Lastly, AI algorithms can compare and match policy coverage information to individual claim details to provide an accurate and fair estimate of the eligible payout amount to policyholders.

NIACE believes that AI will play a pivotal role in the future of the insurance industry as the industry continues to evolve and improve to meet the ever-changing demands of end customers. The company continues to monitor AI trends and actively seeks to incorporate them into the products that we offer.



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