FORUM OF INSURANCE LAWYERS

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# Ethics of AI in Insurance – Article 1

What is AI and what are its capabilities in the world of insurance?

Artificial Intelligence (Ai) is the buzzword that just won't die. Everywhere we turn, we are assaulted by visions of an Ai-powered future, both utopian and dystopian - from freeing humans from the drudgery of labour to manipulating world leaders into war with the use of deep fake technology.

These views still lie somewhere in the realms of fantasy but back in the real world, Ai is being used to support businesses in a range of ways, even in the insurance sector. But as insurance rushes headlong into an Ai-dominated future, questions around its identity, use in insurance and the morality of its decision-making, remain.

To tackle these questions, the Forum of Insurance Lawyers brought together a panel of experts before a live audience in London. Mark Huxley of Huxley Advisory chaired the panel, and he was joined by Adi Hazan, Founder of Ai developer Analycat, Aura Radu, Technology Practice Leader at CFC Underwriting and Ludwig Bull, CEO and Founder of case management firm, CourtCorrect.

And in the first of a short series of articles showcasing the highlights of the discussion, we look at – what Ai is exactly and how it can be used in insurance.

To kick the discussion off, Mark asked a very simple but pertinent question: "What is Ai to you – how would you define it?"

Ludwig offered a simple definition in return, describing Ai as "a programme that can do something it wasn't explicitly programmed to do" adding that an early definition described Ai as "the difference between rule-based systems and something that can make up new ideas and cases that it hasn't yet seen".

For Adi, however, this definition didn't sit quite right.

“I see it very differently. Ai is not really able to create something new. It is any technology that gives the illusion of being sentient or intelligent, but I don’t think any of it is and I don’t think it can generate anything new,” he said.

Ludwig agreed that Ai can’t generate new thought but pointed out that recent developments in the field mean Ai can now mimic some of the explanations to problems that humans would come up with.

But Adi still wasn’t convinced: “Ai is an engine that receives numbers, and lights dots on your screen. It will never coin a new word and there is no way it could do that unless you tell it to do so.”

He went further, arguing that Ai can never move past the rules given to it and therefore, it cannot generate anything genuinely new.

"Any human being can surprise you once but even though the quality of chat GPT surprised me, I don’t think it generates anything new,” he argued.

Having established this broad (if slightly contentious) definition of Ai, Mark sought to dig a little deeper, asking: “Could Ai return new data you had not thought about and bring that back into its algorithms to generate an original thought?”

Ludwig argued that Ai could conduct an analysis of a case it has never seen before by relying on the data generated by cases it has seen.

“For any new claim it has never seen before, it can make a judgement on it even if that case was never included in its training. It could come up with something reasonable that allows the human to step in and make use of that information,” he said.

Picking up this thread, Mark asked the panel what Ai can feasibly do in insurance, what it perhaps should do and what should it be prevented from doing?

“What it can do very well is analyse large amounts of data very quickly and return information to us. Previously, we had to do a lot of annotation work to structure a lot of data sets. Now we can use generative Ai to quickly scan and extract the information,” said Ludwig.

“Scanning data and returning useful information is a good case study. I agree that it can’t do original thought, but you could have an original thought on your own using the data. It will never, however, come up with an idea on its own.”

In response to a question from Mark as to whether Ai is more suited to high rather than low volume risks, Ludwig referred to the use of Ai in his own business, an Ai complaints management platform, to illustrate the point.

In high volume complaints or claims, he explained, there is a series of tasks that need to be completed by the agents and in a certain way. There was already a lot of automation in there – decision making systems and statistical models have been used in that area for a long time.

“But the newer Ai will allow us to see things that have been happening in a better way,” he said.

“Customer communication was done in templates, but we can use AI to improve the quality of the communication. Also, if you are trying to assess the probability of a claim being successful in court, there is a lot of data available to make a better assessment of that,” he added.

Picking up Ludwig’s thread, CFC’s Aura said that in her SME business, she had seen Ai working on smaller, task-based things: “If you are looking for efficiency and to meet service level agreements, it is more efficient and cost effective if the process is automated.”

But beyond handling complaints and volume claims, Aura argued that Ai also has a crucial role to play in underwriting.

“It’s a really good tool to understand where your underwriting base is,” she said.

“If you conducted an audit of your book of business, only the middle 20% is at the price you want, and the rest is either too cheap or too expensive and they are both costing you money. Ai can conduct a peer review for an insurer, highlighting optimal pricing and showing were they will get the most success.”

However, she agreed with her fellow panellists that this application of Ai should be limited to simple, high volume risks as the more complex the risk, the more likely it is that there would be counterproductive repercussions if the Ai took an overly simplified view of these complex risks.

Having said that, she did believe that Ai is well suited to support the underwriting process.

“You could train AI to help you make decisions as an underwriter by putting the data in a more digestible format or checking out the vulnerabilities of computer systems when you are underwriting cyber risks. The best use of Ai is in decision making assistance. It’s not automating anything, but it is a better way of classifying the data that we use,” she said.

The second instalment from this panel session, focused on the ethics of AI and the liabilities that come with its use, will be issued next week. The final instalment, exploring the regulatory aspects of AI use, will be issued on 11 May.