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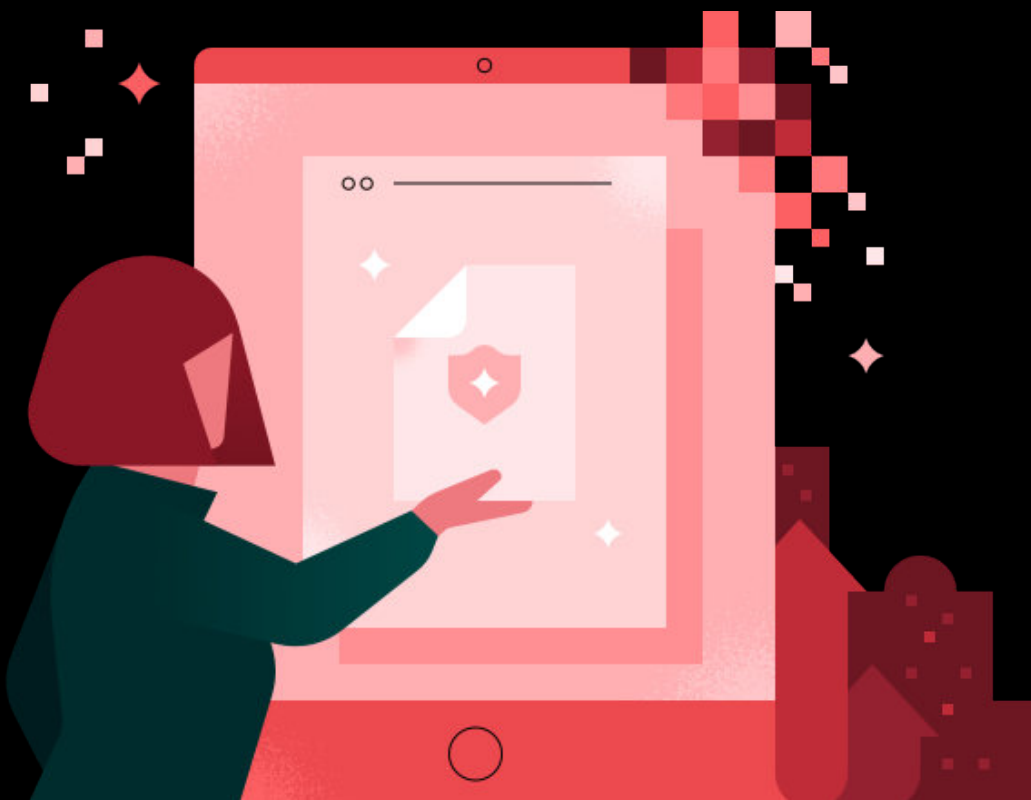
Choosing an AI solution

A buyer's guide to finding the right AI product for commercial insurance.

October 2020



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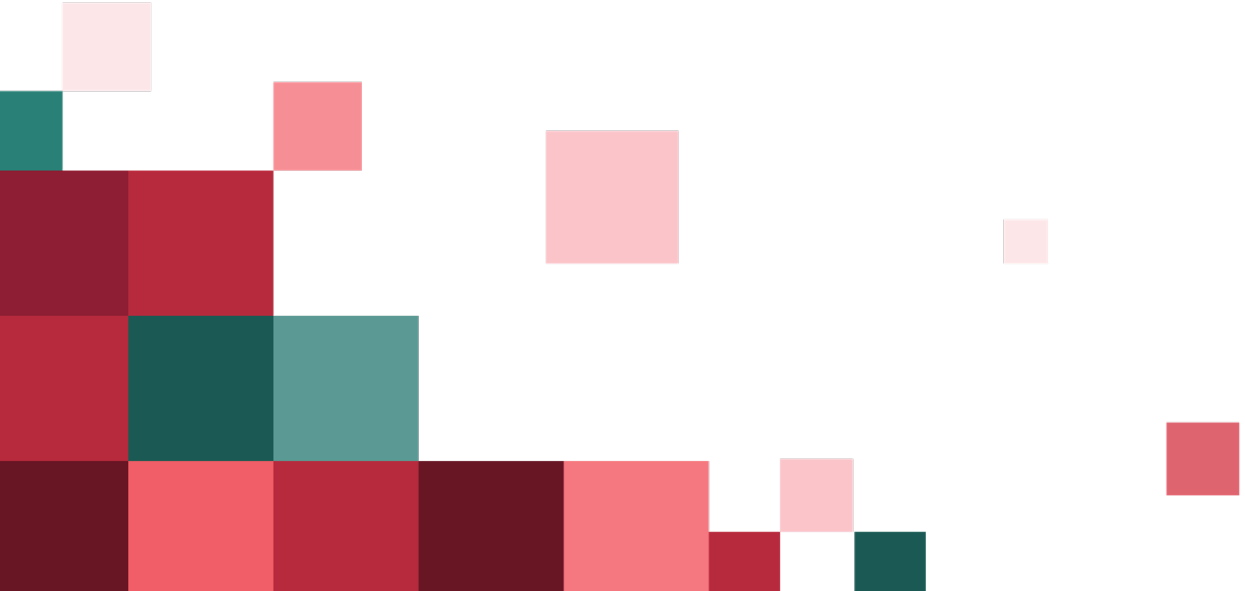


Introduction

Artificial Intelligence is an elusive term. Both lauded as the future of insurance and dismissed as a passing fad, it is an area that despite its many practical applications can leave commercial insurers scratching their heads.

Complex commercial lines pose a challenge to insurers who wish to effectively harness the vast amounts of information they have stored in emails, bordereaux reports and paper-based documents. The user experience in commercial lines has not caught up with personal lines insurers, who can offer instant quotes and pricing for their products.

Since more and more commercial insurance firms are turning to technology —and AI in particular—as a future-proof solution to these challenges, there is a growing demand for clear and informed advice on choosing the right AI product.

This guide will help you in your decision making when assessing AI products and solutions for the commercial insurance sector and will assist stakeholders in making appropriate buying decisions.

75%

Of organisations using AI have enhanced customer satisfaction by more than 10%

Source: Capgemini 2017

The benefits of AI

The implications of AI for insurance are wide-reaching. It will undoubtedly change the industry, from insurer-customer relationships to pricing to the back office.

The most meaningful consequence of this is improved customer experience, but it's not the only way insurers can reap the benefits of this technology.

Risk selection, pricing and back office automation are just some of the other AI applications that are being adopted more and more in the industry.

Creating a better customer experience

- Faster turnaround times mean quicker quotes for your brokers and the insured
- Brokers are more likely to give an insurer repeat business if they know they will receive an instant appetite indication and/or quote
- Business outside of appetite is fully transparent, so the broker can explain to the insured why their submission was rejected
- Repeat business creates stronger insurer-broker relationships with the potential for new lines of business

Is AI the right solution for the problem?

The biggest challenge facing insurers who are interested in AI is how to cut through the noise and find something that will actually deliver tangible benefits for the business.

There are so many AI companies that it's increasingly difficult to choose a product that will best suit the specific needs of your business.

To find the right product, you must first consider the business case to which it will be applied. Ask yourself:

1. What do I need this product for?
2. What are my pain points?
3. What am I looking to improve?
4. Are there inefficiencies or errors that get in the way of business?

It may be tempting to dive head-first into applying AI to a complicated use case, but it is much more beneficial to focus on simpler solutions that have long-term benefits.

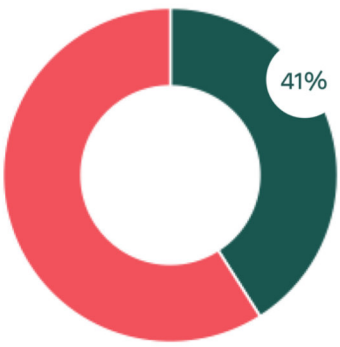
Once those are fixed and day-to-day processes are improved, AI can be applied more easily to the challenging use cases. You may even find that improvements lower down the scale affect wide-ranging issues in ways previously not anticipated.

According to Capgemini, companies are missing big opportunities to implement AI for the low-hanging fruit that are 'high benefit but low complexity'. Some examples of these 'must-do' use cases for insurance organisations are:

- Automating back office tasks
- Reducing manual rekeying
- Reducing operating costs
- Analysing consumer behaviour
- Enhancing customer satisfaction
- Improving retention rates
- Increasing inbound leads
- Regulatory compliance (at lower costs)

Their research found that organisations implementing a large number of 'must-do' use cases (>75% of all cases) drive significantly higher benefits than those implementing a smaller share (<25%).

Seemingly small, unglamorous tasks can actually have much more benefit to a business and can pave the way for more complex solutions to come.



Organisations who identify and prioritise their AI risks

Source: McKinsey Global AI Survey 2020

Custom vs off-the-shelf

The right AI solution should be focused on solving a specific use case and should not promise to fix every issue at once.

In many instances it is possible to buy an AI product that is 'off-the-shelf', i.e. a common application that is simple to integrate and easy to use.

These products are often applied in organisations where there is a lack of AI expertise and can bridge the gap between the technology and the end user.

In fact, research shows AI often has the greatest benefits for users who are least experienced.

However, the complex nature of many commercial insurance lines means that carriers have fewer options when it comes to 'pre-made' products.

The rise of bespoke, flexible software-as-a-service solutions in insurance can, at least in part, be attributed to this.

If you are applying AI to a 'must-do' use case, an off-the-shelf solution may be best.

If the product you are seeking is for a complex use case, working with a provider to develop a bespoke tool may be better suited to the challenge.

Try another solution

Remember that your use case may not actually need an AI solution. In many instances AI is used as a buzzword to entice customers, when in fact the task at hand could be solved using simple automation.

Check that your provider isn't using AI for the sake of it and ensure that you are building your business case with all options in mind.

In all cases, ensure the solution you choose is scalable and can be applied or adapted to other parts of the business in the future. This allows for incremental changes, minimised disruption and iterative improvement to the product.

“AI makes life easier for insurers and brokers because it improves the quality of cover and service received by clients.”

“Utilising data on a scale that is beyond practical human ability and combining it with human emotional intelligence will revolutionise the underwriting process.”

David King
Co-founder and CCO, **Artificial**

How do I build a business case?

AI initiatives not supported by a sound business case are unlikely to gain traction. Objectives, goals and potential pitfalls should be mapped out before implementing an AI solution.

Building your business case should be a collaborative experience and should ultimately outline the challenges you want to solve, as well as the potential risks and rewards.

The first step is to talk to your team. Without speaking to people at each level of your business, you won't truly know the challenges they face every day. **Ask your team:**

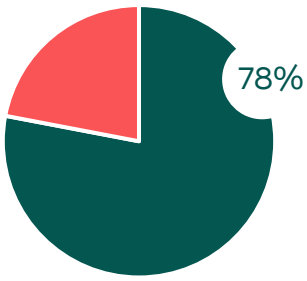
1. **What are their most boring everyday tasks?**
2. **What tasks are high effort but low value?**
3. **What do they hate doing?**
4. **What gets in the way of their daily workflow?**

Talk to as many people as possible until you're no longer surprised by the problems you hear. By building a business case around the most common challenges, you are ensuring that the solution you procure is truly relevant and effective for your employees.

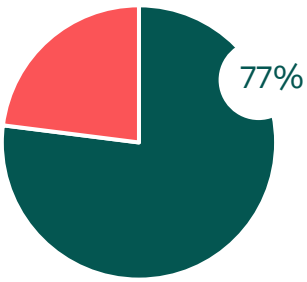
You should then use this information to predict the outcomes and effects of the solution. By demonstrating a clear ROI, you will see if the money and time spent on implementation are worth the benefits the product would bring.

Think about budget, time scale and scope —do you have enough people to manage the project? Do you know the costs for a project?

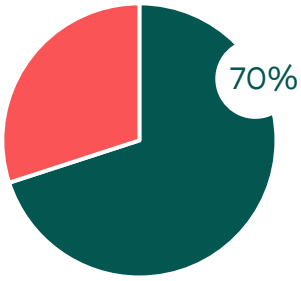
Consideration of the above points helps you build a comprehensive business case that ensures the procurement of any solution runs according to expectation, on schedule and within budget.



Increased operational efficiency



Enhancement in employee productivity



Greater legal/regulatory compliance at lower cost

Share of firms implementing AI that observed more than 10 percentage point benefit in the respective area.
Source: Capgemini 2018

How do I know this product will deliver?

Your organisation may have already tried an AI product with unsuccessful results. Perhaps the solution didn't really solve the challenges your team faced. Maybe a product was too costly and didn't deliver, or the implementation was unsuccessful because of friction in the development stages.

If you've been burned before, you want to know that it won't happen again.

And if you haven't, then you need to take the right steps so it doesn't happen to you.

There are several courses of action to ensure previous failures don't get in the way of applying AI in the future.

To guarantee that previous frustrations do not become obstacles once again, it's important to look at the lessons learned.

A guide to avoiding past pitfalls

- Firstly, conduct an evaluation to see what went wrong last time. Speak to your Delivery team to determine how and why things didn't work. Make sure your team are comfortable relaying this information; if they don't feel like they can admit mistakes without judgement, the truth may not come out.
- Next, have procedures in place to ensure the issues don't occur again. Set targets for delivery and be up front with potential providers to ensure they are on the same page as you.
- Have a strategy in place in case something *does* go wrong during delivery.

Will this product work with my legacy systems?

The integration of new technology can be a major obstacle for many companies with older legacy systems and infrastructures.

A survey of 104 insurance workers found that **67%** think legacy systems and legacy thinking/cultural inertia are the biggest barriers to adopting digital transformation tools in their business.

Firstly, look at your systems. A little foresight and initial planning will help you to avoid wasting time on unsuitable products.

Ask yourself:

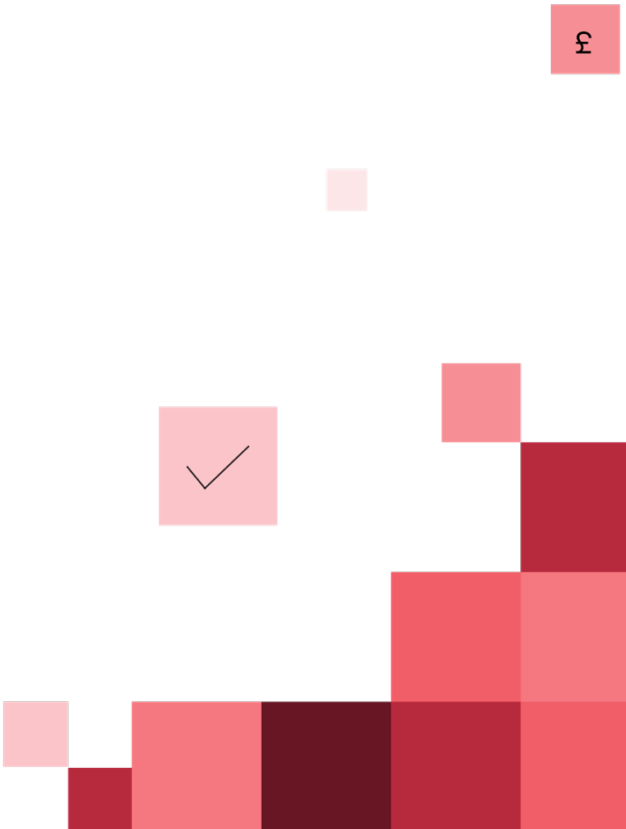
- **How do my current systems work?**
- **Are there gaps in the system that could be filled with AI or other technology products?**
- **Could you work with your existing vendors to add relevant integration functionality to the system?**

Consider your ecosystem as a whole: does it make sense to replace your whole legacy system with new AI-enabled solutions rather than just adding to it?

After you determine this, you can tailor your product search to find a solution that works for your organisation. From there, you can ask AI providers how they plan to integrate.

This could be via API, cloud-based, data storage or a document management system, and you may need more than one solution.

The important thing is to take the leap; not modernising for fear of the unknown may do more harm than good, and there are many options out there for carriers who wish to onboard AI with their existing systems.



Is my team ready to use this product?

Uprooting systems can cause disruption and uncertainty to employees. Any new AI solutions should be implemented with the involvement and input of your team.

Consider the following questions:

The Team: Are they already well-versed in the technology or will they need thorough training?

Determining who the user is will allow for appropriate training and testing. In many cases, a supplier will take care of the backend and day-to-day running of a product. This means that initially there may be some level of training needed in the configuration stages, but after that your team should be provided with technical support as needed.

The Service: What kind of product are you using?

If the product is a managed service, the onus is on the provider to make you aware of the solution's capabilities and requirements.

If the product is self-service, your team will need to be educated on the functional capabilities and configuration settings.

In any case, ongoing engagement is the best way to secure the most benefit.

Make sure you schedule regular updates with the service provider to tackle any issues.

The adoption of new technology is a big undertaking for any business. Before procuring any AI solution, you must ask yourself and your team if you have the time and resources available for the project. Take the following into consideration:

- **Can I provide the end users with the necessary training and resources?**
- **Am I ready for the time and resource commitments of the development stages?**
- **If this product doesn't work, do I have the time and money to get it running again?**

“In recent years we’ve seen great advancements in AI technology that can be effectively applied to insurance.”

“As an industry, we’re better placed than ever to address tired legacy processes with AI and machine learning.”

Damian Arnold
CEO, **Artificial**

Do I have the right data?

Data is at the core of every AI; without it, the product wouldn't have anything to learn from or to mimic. Before implementing an AI solution, you should assess the data available to you.

Personal lines insurers were fairly early to adopt AI and have succeeded in harnessing the huge amount of data available to them.

But because of the complex nature of many commercial insurance lines, it has not been as easy to adopt similar technology.

This is not to say that the data doesn't exist: it's simply sitting in unstructured documents like PDFs, spreadsheets and on paper—and it continues to grow year on year.

As the number of data points grows, it becomes harder to interpret and analyse by humans.

Data at the core

The right AI solution will digitise the appropriate information for use further down in the value chain. This will dramatically reduce the time spent manually rekeying data for underwriters and brokers and allow for better scalability.

This data can then be interpreted and analysed in ways which are impossible without vast amounts of work for a human, allowing for a more flexible and intelligent workflow.

Assessing your data

We recommend conducting an assessment of the data available to you as an insurer. This includes internal, historical and third-party data sets.

Consider if your data is:

- Accurate
- Consistent
- Relevant
- Unique
- Up to date
- Trustworthy
- Representative

If these factors are not taken into account, the data could jeopardise the accuracy of any AI product.

And don't forget, if your AI solution addresses a problem that will be ongoing, you need to plan for future changes to the data and data sources.

Data protection

Harnessing data comes with privacy challenges.

As an insurance business, you must ask: does this product fit with how your users expect their data to be used?

When considering a new AI solution, ensure there are the correct security credentials in place for the country in which you operate.

Conclusion

The correct AI solution can be transformational.

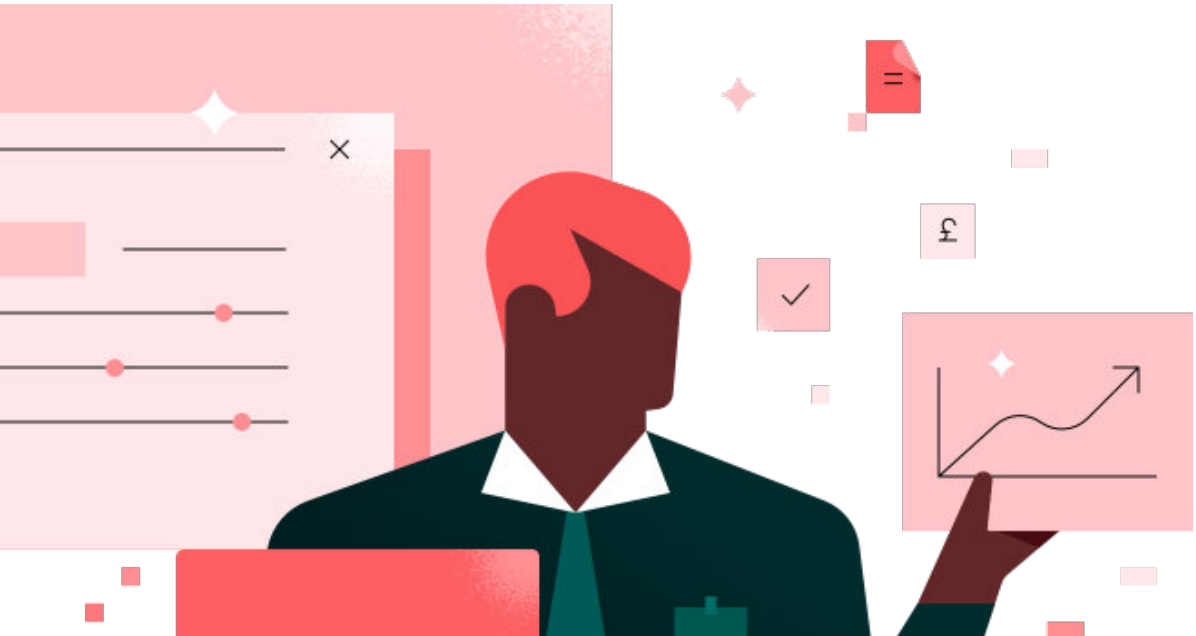
Choosing the right AI solution may have seemed daunting in the past, but we hope this guide is a catalyst towards choosing the right AI solution for your business and that it has prepared you for the potential challenges of AI products.

We also hope it has reassured you that AI products can be implemented effectively and with great results, as long as the right research and planning is put in place before and during implementation.

In summary, to choose the right AI solution you should:

- Assess the challenges your organisation is facing by talking to your teams
- Build a business case around their feedback
- Reflect on past, possibly unsuccessful, implementations and put contingency steps in place to ensure delivery is smooth next time
- Prepare for training and disruption caused by new technology/processes
- Assess how you want to measure your benefits and be prepared to scale up to other tasks, including complex use cases.

By following these guidelines, you're well on the way to successfully implementing AI in your organisation. Good luck!



About us

Artificial is a London-based Insurtech providing commercial insurers with flexible technology solutions to suit their business needs and make insurance frictionless across the entire quote, bind and issue process.

Since 2013, we've been building highly-polished, data intensive platforms for some of the world's biggest brokers and insurers including Aon, AXIS, Chaucer and more.

Here is our vision for AI in the commercial insurance industry:

- Reduced manual processes
- Improved loss ratios and retention rates
- Enhanced customer experience
- Greater efficiency
- Data harnessing and augmentation

Our integrated, modular platform allows for world-class data capture, enables digital contract negotiation and dramatically improves workflow.

The Artificial team is comprised of world class engineers, data science and machine learning experts, and an insurance team with over 100 years combined experience.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Contact us

Anna Burge
Head of Content
anna.burge@artificial.io

Tim Bates
Product Lead
tim.bates@artificial.io

David King
Co-founder and CCO
david@artificial.io

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For more information, please contact the authors or visit our website at artificial.io