



## *(Trustworthy) AI in Underwriting & AI for ESG*

Mark McLaughlin, General Manager, Insurance

# Why is Insurance Not Selected?

## **Interaction Models: “Nasty, Brutish, and Short”**

- Sell a contract which the buyer may not understand
- Collect premiums for intangible benefits
- Something terrible happens – let’s argue

## **How is Insurance Sold (or not sold)?**

- People are not great risk decision makers
- “Insurance is sold, not bought”
- Clear value at the point of risk

## **Where Can We Improve?**

Risk Experience • AI and Automation • Privacy • Principles

Many insurers are expanding to more holistic products

**80%** of insurance respondents

are offering **15+** of the 27 product variations in our survey

### Usage-based insurance

- Pay as/how you drive
- Pay as you travel

### Short-term/micro risk

- One-day event
- Hole-in-one

### Health and wealth

- Health consulting
- Wealth management

### Risk adjacent products

- Preventive maintenance
- Smart home services

# Becoming a risk concierge

From insurance provider  
to customer companion

**IBM Institute for  
Business Value**

## **Emerging Risk Concierges...**

- 3x higher growth rates
- 52% of IT spend on customer-focused capabilities
- 33% better at understanding customer preference
- Revenue impacts >\$100M for expansion



# Making insurance seamless

How embedded insurance provides peace of mind

IBM Institute for  
Business Value

# \$1.2T

gap between protection customers need and insurance they have

## Emerging opportunities for embedded insurance:

- Integrate existing insurance products into daily activities
- Sharing insurance data to drive better risk outcomes
- Gathering data from other industries to improve risk position

New risk experience models  
demand broader data  
sourcing

## Types of data used for data-based products or services



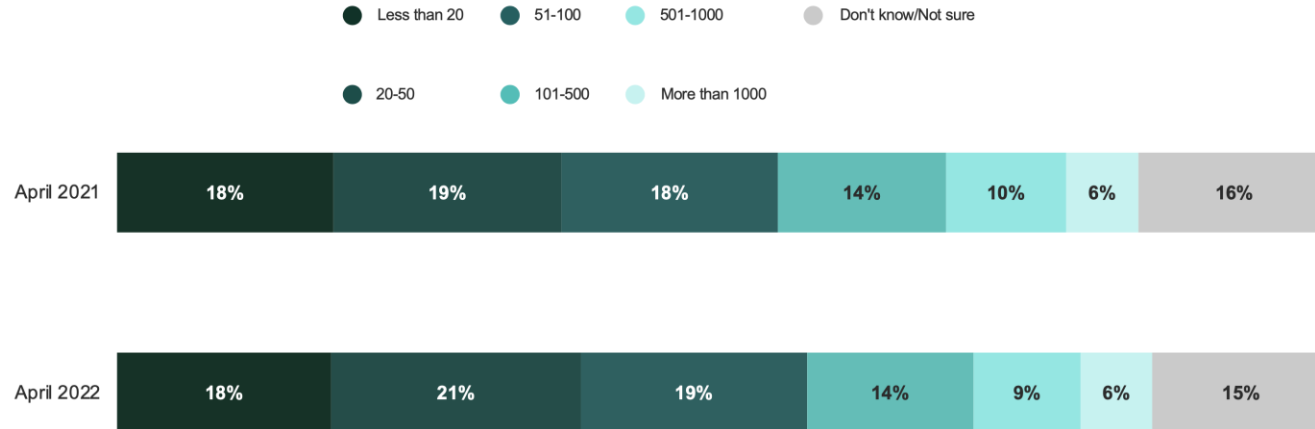
# New risk experience models demand broad data sourcing



## DATA STRATEGY

Global IT professionals in 2022 are more likely to report their company is drawing from 20 or more different data sources to inform their AI, BI and analytics systems compared to 2021 (69% vs 67%)

How many different data sources is your company drawing from to inform your AI, BI and analytics systems (i.e., databases, data stores, data warehouses, data lakes, IoT)? **[Among IT professionals at companies exploring or deploying AI in markets studied in 2021 and 2022]**



Note: markets included in trending are US, China, UK, Italy, Spain, France, Germany, Singapore, India, and Latin America region.

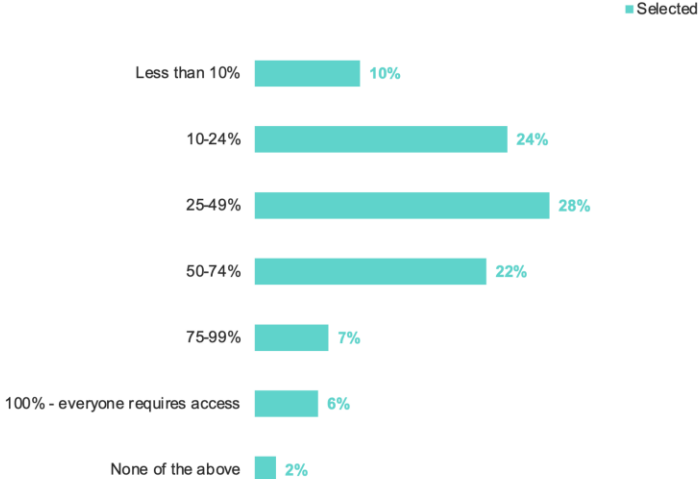
# Data will also be accessed broadly...



## DATA STRATEGY

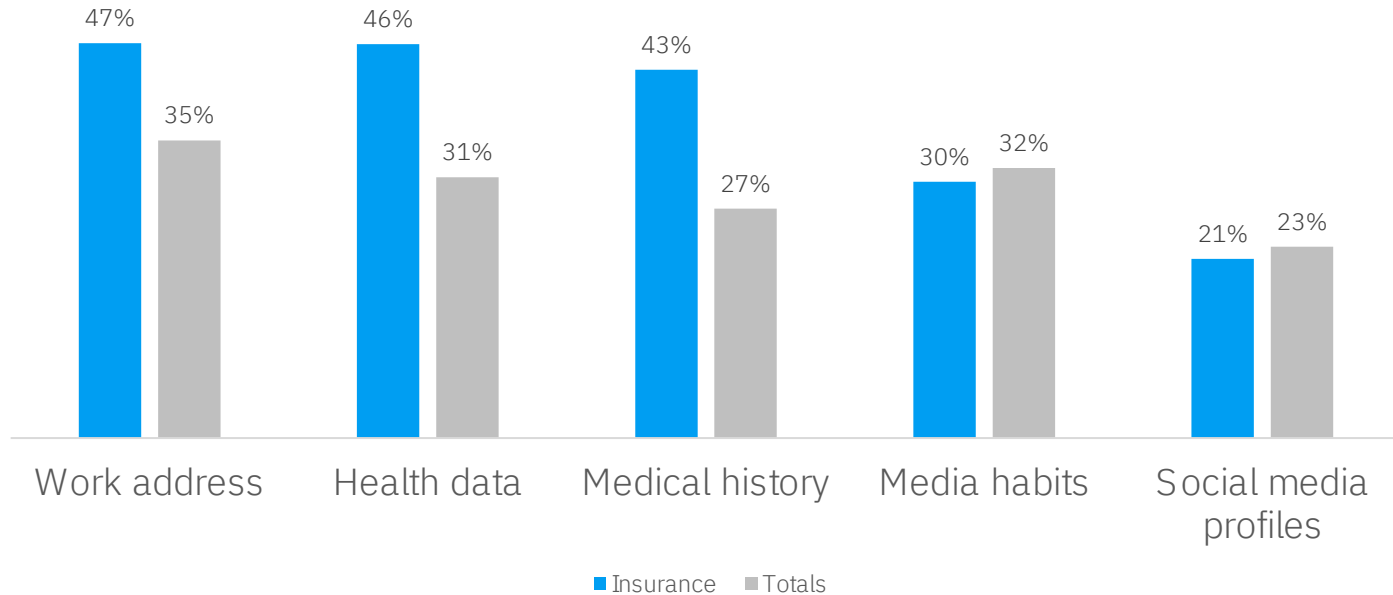
63% of IT professionals say that at least a quarter of their workforce needs access to company data to make decisions

Approximately, what percentage of your workforce requires access to company data (e.g., performance data, user data, asset data, etc.) to make decisions, including non-technical users?



...but customers' willingness to share data is mixed

Willingness to share selected data with providers



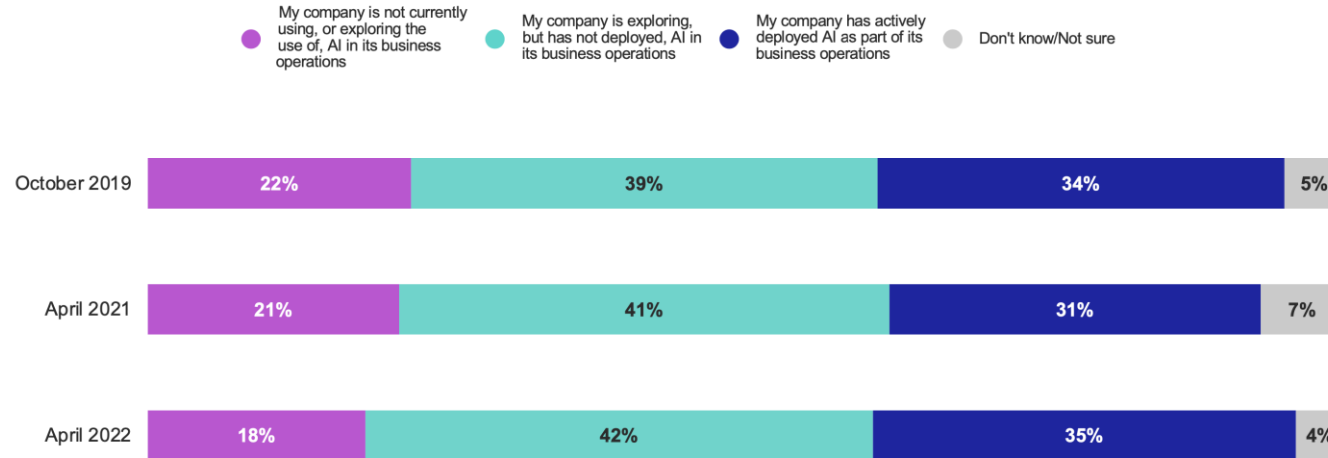
# AI and Automation will be large drivers of data usage



## AI ADOPTION AND INVESTMENTS

42% of IT professionals reported their company is exploring AI as part of business operations (+1) and 35% report their company has actively deployed AI (+4)

Has your company adopted or explored using Artificial Intelligence (AI) as part of its business operations?

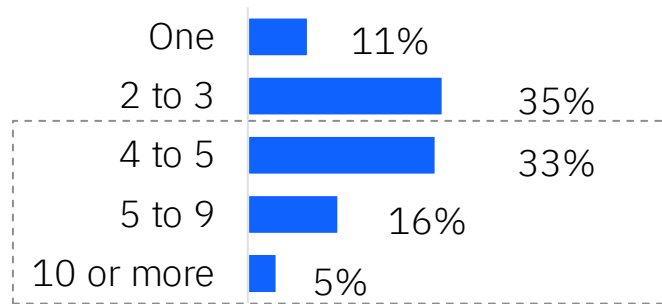


Note: markets included in trending are US, China, UK, Italy, Spain, France, and Germany.

Source: Morning Consult + IBM Study, "IBM AI For Business Adoption Study", 2022

# Digital Automation is Essential to Capitalize

How many distinct automation initiatives (e.g., to automate a business process) did you work on in the past 12 months?<sup>1</sup>



54% of respondents in Gartner's survey reported to have 4+ concurrent automation initiatives

(1) Gartner 2021, n=558; (2) 2020 IBM Institute for Business Value,

Insurers exclusively using cloud-based technology for claims, compared to those using entirely on-premise technology



3%

more claims processed and paid without human intervention



5

days shorter backlog of pending claims



34%

more insurers use AI to help detect fraudulent claims

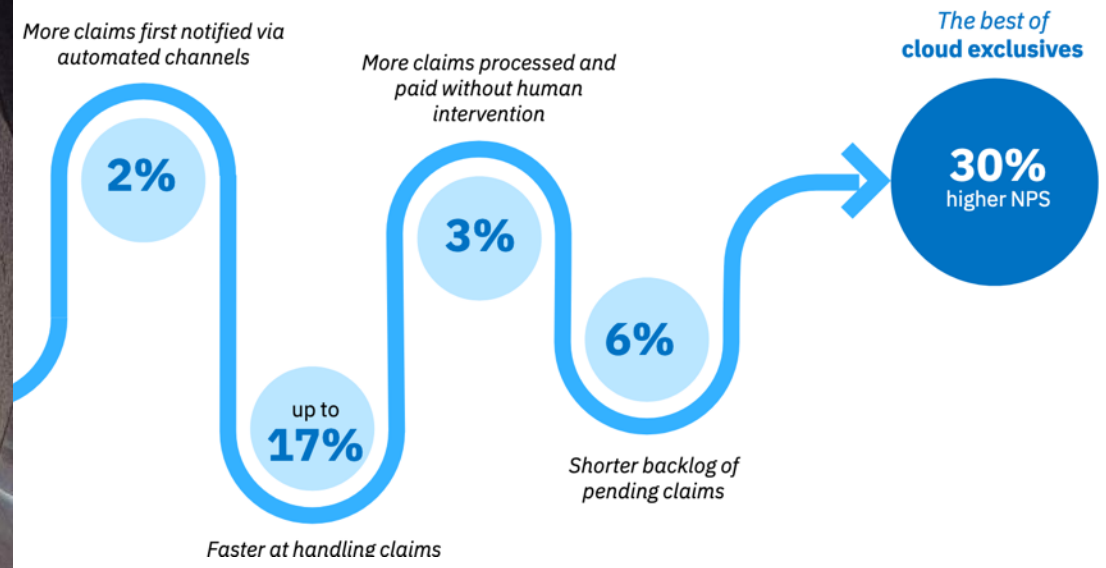
# The cloud-based insurance claim

Improving cost and speed,  
while enhancing the claims experience



## A moment of truth

Claimants reward cloud-exclusive insurers with advocacy in return for a better experience.



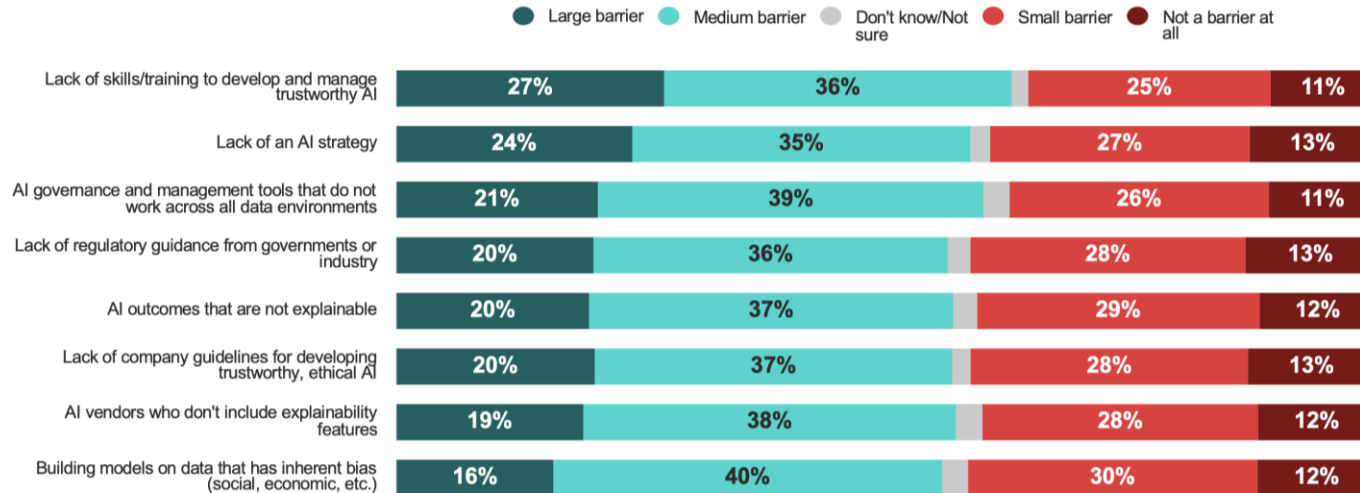
# Responsible AI usage in this environment faces challenges



## AI ETHICS & RESPONSIBILITY

Around 60% of IT professionals report that lack of skills/training to develop and manage trustworthy AI and (63%) and AI governance and management tools that do not work across all data environments (60%) are barriers to developing AI that is explainable and trustworthy

How much of a barrier are the following in developing AI that is explainable and trustworthy? [Among IT professionals at companies currently exploring or deploying AI]



# Example Digital Scenarios



## Wildfire Risk Assessment

Wildfire is a granular peril highly dependent on property location. Remote monitoring can capture predictive attributes like distance to vegetation and surrounding fuel load.

## Flood Mapping

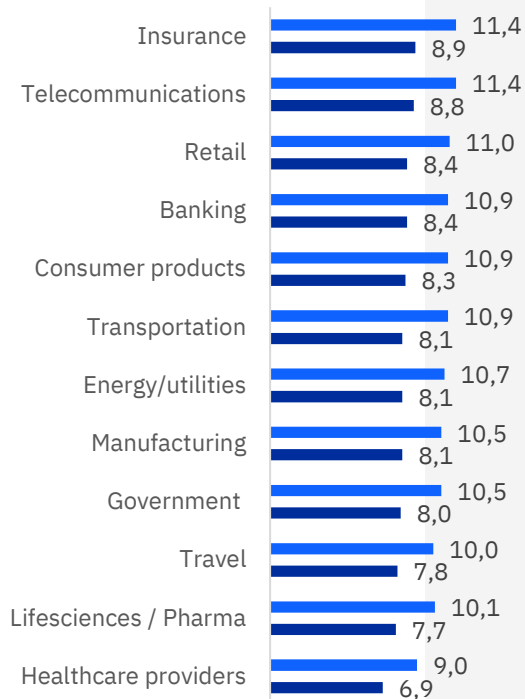
InSAR techniques can allow for flood map updates in near-real-time, providing insurers with actionable, current risk profiles.

## Quantum Customer Optimization

Quantum computing can improve signal-to-noise ratio for customer journey event signaling, resulting in 93% Prediction Accuracy\* and 24% better performance\*

# Insurers lead all industries in number of reported clouds

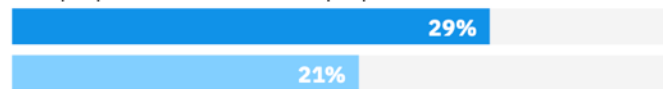
*Increasingly coming to a multi-cloud conclusion*



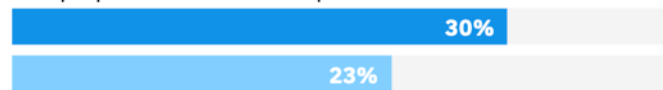
■ 2023 ■ 2020

Source: 2020 IBM Institute for Business Value Hybrid multicloud survey (n=5,262)

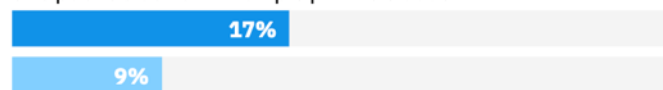
## Multiple public clouds and multiple private clouds



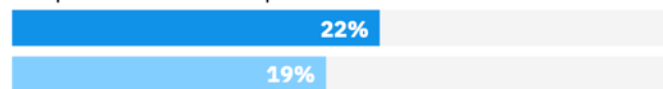
## Multiple public clouds and one private cloud



## One public cloud and multiple private clouds



## One public cloud and one private cloud



## One public cloud



## One private cloud

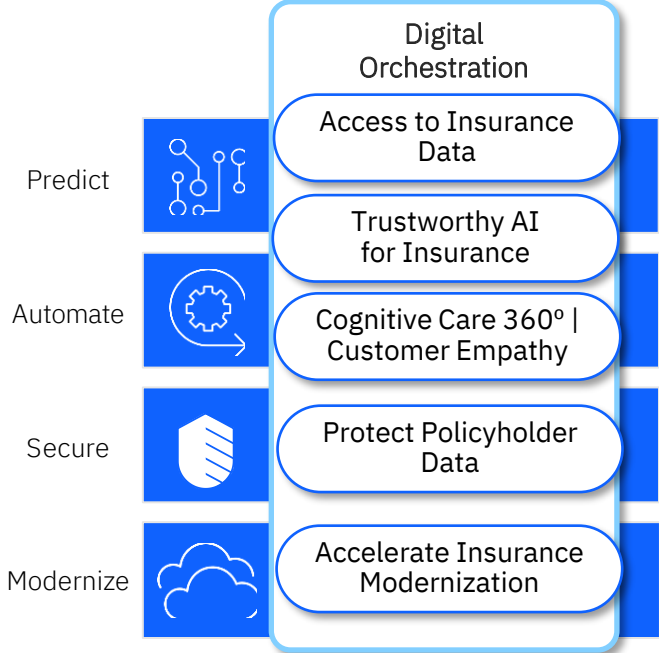


2021 | 2019 (pre-COVID-19)

Multicloud, multiprovider, hybrid cloud is becoming the “dominant architecture” for cloud service delivery.

During the pandemic, large enterprises have moved beyond single public clouds

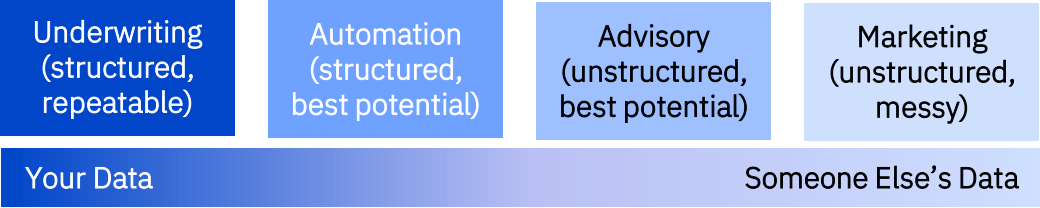
# Key Principles to Unlock Digital Value Effectively and Responsibly



### Key Principles

- Virtualization > consolidation
- Ability to operate across hybrid cloud / multi-cloud
- “Tools everywhere” enable new products quickly
- Encryption / security for sensitive insurer SPI
- Handle highly variable workloads, e.g., catastrophe modeling

### Connect Across...



### Key Insurer Benefits:

- Ability to connect insurance, data, AI, and customers across multiple environments
- Deploy experiences and build insights quickly
- Common tools mean speed-to-market for ecosystem while remaining stable, secure, and roles-based accessible

# North American Insurance Company



## Business Challenge

- Insurance Company has tens of thousands of control in place, and wanted to proactively:
  - Identify overlaps between different controls
  - Improve controls that are not complete or have a low quality

## Solution

Assessed risk controls and created a PoC cognitive control analysis solution to understand how controls can be categorized, streamlined, reported on, and better used for risk-based decision-making

## Expected Outcome

Introducing control taxonomy for effective management

Reducing the existing number of controls through eliminating overlaps

Real-time analysis of the quality of newly created controls and suggestion of the similar controls

## Solution Components

- IBM Cloud Pak for Data
- IBM Watson Studio
- IBM Watson Discovery



# Key Takeaways

## Open Data and Platforms... Responsibly

- Pressure on insurers drives expansion of products into “risk experiences”
- Higher usage of AI, leverage of unstructured/incomplete data, advice and personalization
- Broader AI → broader data → broader technology – avoid lock-in, convene value

**Get more great**

**Insurance thought leadership here:**

[IBM Institute for Business Value – Insurance Studies](#)

**Specifics on AI Adoption:**

[IBM Global AI Adoption Index 2022](#)



[Becoming a Risk Concierge](#)



[Personalization, platforms, and data-designed offerings](#)



[Elevating the insurance customer experience](#)



[Insurance on the platform](#)



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