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Harnessing GenAI for transforming life insurance companies

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The field of artificial intelligence and Machine Learning is constantly evolving and advancing over time. Customers expect seamless, personalized interactions across all industries, including life insurance. In the life insurance industry, it is rapidly transforming business models at the grassroots level, from underwriting and risk assessment to handling claims and customer service. For instance, generative AI-powered conversations can significantly streamline customers experiences. To be able to effortlessly look up your policy number, comprehend the benefits of a policy purchased years ago or receive simple explanations for complex questions on term insurance and beyond. These capabilities of generative AI demonstrate immense potential to redefine life insurance.

Streamlining Customer Queries and Service Requests

Life insurance policies typically span several decades, with customers approaching their insurers for service requests, file claims and clarifications. However, insurers often face a challenge in managing unstructured data across different systems. Gen AI can act as a bridge, simplifying customer interactions by pulling information from relevant sources. Whether a customer needs to know their policy's maturity value or wants a breakdown of premium payments, AI-powered chatbots quickly delivering personalized, accurate responses.

Fraud Detection:

Generative AI models are being trained on a dataset of past fraud and anomalies to learn patterns and detect potentially fraudulent activities in real-time. By continuously updating and refining their algorithms, these models can adapt to new tactics used by fraudsters, making them more effective at preventing financial losses. These scenarios are already assisting insurance companies in improving their fraud detection capabilities through pattern recognition and indicators of potential fraud.

Automating and Personalizing Customer Information Sheets (CIS)

A recent regulatory directive requires life insurers to provide customers with personalized Customer Information Sheets (CIS) that explain the policy document in simple terms. This regulation presents a perfect use case for Generative AI to analyze available data and craft tailored summaries for individual policyholders, while mapping each CIS to the relevant sections of the policy document. By doing so, companies not only meet regulatory standards but also enhance the customer experience by providing information in a way that's easy to understand.

Elevating Personalized Interactions

Personalization is at the core of customer satisfaction. Generative AI can further assist life insurance companies with personalization of processes: sending expiration reminders or summarizing complex policy terms in a customer-friendly manner. Additionally, by analyzing historical data and behavior, AI can generate customized policy recommendations. There are many tedious repetitive tasks which could be handled by the AI, but one must accept that there are some situations that would need human intervention on run on copilot mode.

Enhancing Underwriting Processes

In underwriting, one of the most resource-intensive and time-consuming functions involves an underwriter assessing the potential risk based on the evidence provided, be it in the form of medical records, policy applications and any other relevant documents. Gen AI can assist by analyzing past underwriting data and extracting insights from documents enabling accurate decisions while minimizing human bias. The reduction of person-hours through the use of automation increases operational effectiveness. This is already in use in Canara HSBC Life Insurance.

Improving Sales Conversion

Generative AI can be trained to generate hyper- personalized sales pitches by analyzing potential leads' data, previous interactions, and preferences. By leveraging this information, AI can help insurers design personalized nudges and product recommendations tailored to each customer's journey. Whether it's reminding customers about a missed step in the application process or offering them customized product suggestions.

Challenges and Risks: Navigating Ethical Landscape:

While the benefits of Gen AI are numerous, there are also risks involved. Privacy of customer information is very important as AI extracts enormous amounts of data. Insurers must ensure that India's Data Protection Act must be adhered to and carefully integrated into the system to maintain trust and avoid legal problems. A good algorithm is as good as the data that gets fed into it. Therefore, it is important to organize data correctly. Importance of right AI platform and right skill set of people and strategy is key to success for such deployments.

A significant challenge in AI lead systems is the potential for bias, which will be detrimental to processes such as underwriting or claims. To mitigate these risks, life insurers must implement robust AI governance frameworks that prioritize fairness, transparency, and accountability. This involves ongoing monitoring and evaluation of AI algorithms to ensure they are not reinforcing harmful biases.

Additionally, it is necessary to bolster Human-AI collaboration as well. However, it is necessary to consider the decision of a person, as there are many processes that are quite sensitive: working with claims or handling customers' complaints. A hybrid approach, combining AI's efficiency with human empathy, will ensure that customer interactions remain personalized and compassionate.

As Gen AI changes, it is expected that applications will range from customer-centric predictive analytics to automated systems for managing claims. Due to the expanding customer base and regulatory framework, the life insurance market in India is set to harness AI and hence become prominent in the financial services of the future. Insurance providers will however need to pace themselves on the pernicious power of this technology especially its impact on unethical practices and breaches of privacy. Life insurers can embrace the aid of AI and at the same time allay any concerns by putting in place proper regulations and supervision to provide satisfactory but safe customer experience.

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