

BLOG POST

The Pivotal Role of AI & Insurance Underwriting



“Both incumbents and newcomers are developing insurance products that use large amounts of data to assess, select, price, predict and prevent risks that in some cases were previously considered uninsurable. These new technologies allow for the development of powerful new business models which in turn enable the role of insurance underwriting to evolve from ‘understand and protect’ towards ‘predict and prevent.’”

—The Geneva Association’s [“Big Data and Insurance”](#)

Three major tech tools—AI (artificial intelligence), ML (machine learning), and predictive analytics—are poised to empower insurance underwriters to take on a more strategic role in insurance underwriting. One that is centered on the customer journey. One that will impact the entire eco-system of insurers, employees, and insureds.

According to Salesforce’s 6th [“State of the Connected Customer”](#) report, “84% of consumers say the experience a company provides customers is as important as its products or services.”

Drivers of Digital Transformation

The maturity of cloud processing and computing power is driving insurance digital transformation. Insurers are increasingly embracing the powerful multitenant, true SaaS (software as a service) cloud solution. Pairing this with core insurance software allows insurers to get to market quickly, while at the same time, it enables them to move from a transactional business to an insured customer journey.

AI and data are the tech tools driving this transformation. “AI success is becoming the rule, not the exception”, according to PwC’s [4th Annual Business Survey](#) on U.S. insurers. More explicitly, the 2022 report says that “insurers are advancing with AI in three areas at once: business transformation, enhanced decision-making, and modernized systems and processes.”

It’s All About AI and Data

Earthweb reports that over [3.5 quintillion](#) bytes of data is being created daily in 2023 alone. That is an incredible amount of data;

yet, it isn't all the data available to insurers. They have historical data, new data is collected from external third-party sources such as social media and Bureau Content, and there is internal data from the Internet of Things (employee wearables, telematics, smart equipment and sensors, appliances, and cars).

The new tech tools offer underwriters the opportunity to broaden the value they deliver, to better understand the businesses they underwrite, and to make more informed and better decisions. The goal is to empower underwriters to interpret, communicate, and explain underwriting decisions (including simple, automated underwritten risks). For underwriters this may mean expanding their interactions with insureds, explaining how preventive measures could lower an insured's insurance costs to more broadly analyze insurance lines of business, and creating new products and services to build the customer journey.

The issue is how do you extract value from all the data that's available to insurers. How will underwriters gain access to relevant data without being overburdened with extraneous data? Where in the underwriting workflow systems will data and AI reside? How does AI influence outcomes in the assessment and processing of policies and claims?

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A [new report from Gradient AI and Origami Risk](#) highlights the fact that the successful use of AI depends on cooperation and coordination between underwriters and computers. While computer models can outperform a human; computers assisted by underwriters outperform the computer. "Some of the most experienced underwriters may have seen up to 10,000 policies over the course of their careers. AI and machine learning models, on the other hand, can learn from millions of policies," according to Paul Caraldo, Chief Marketing Officer at Gradient AI.

The bottom line is all about a significant shift in thinking about risk. One that goes beyond the traditional 'what happened and why' to leveraging data and knowledge to determine 'what might happen next'.