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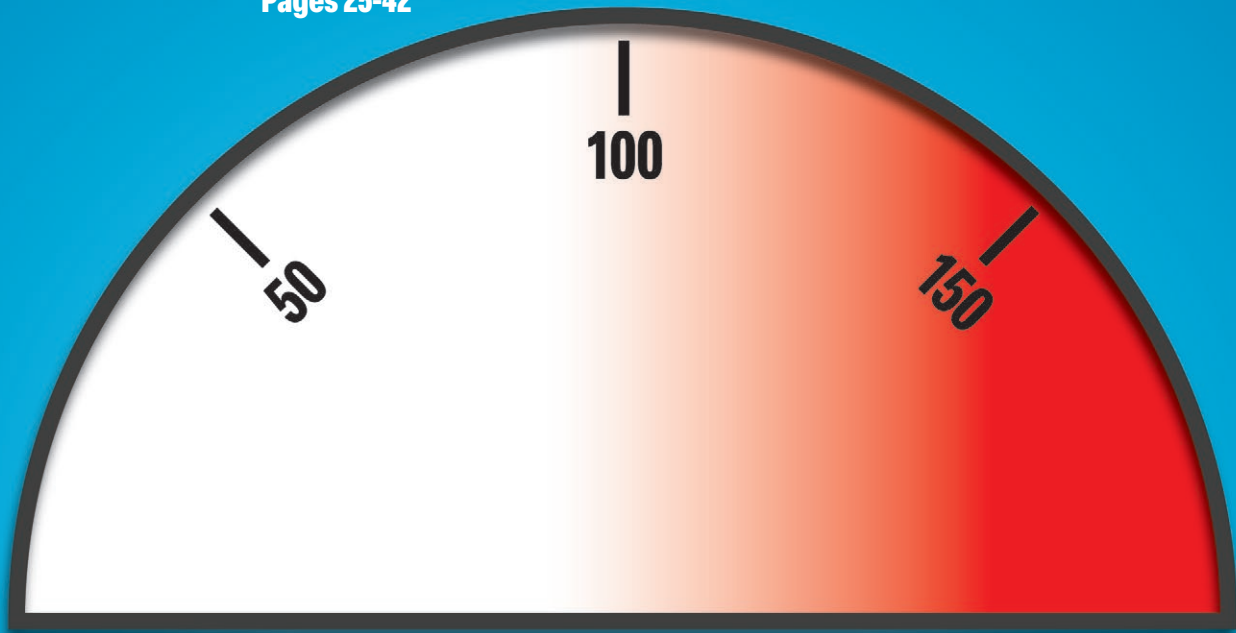
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## Steering to a Profit

Despite a challenging market, some U.S. private passenger auto insurers have been able to turn an underwriting profit.

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# Artificial Intelligence's Imperfections Become Clearer

Efficiency and accuracy can emerge in an insurance sector powered by AI. What can happen when it's less than perfect?

By **Lance Ewing**

In the days of the Wild West, a young cowboy was having difficulty filling out the beneficiary form for his deceased father. The insurance agent asked what the trouble was and the young man said that he was embarrassed about the death of his father. The salesman wanted to know why. "Well, my father was hanged," came the reply. The insurance agent pondered for a minute. "Just write: 'Father was taking part in a public function when the platform gave way.'" Or so the story goes.

The insurance industry, both commercial and personal lines, relies heavily on the applications, claims forms and other documents being completed fully, accurately and honestly. Underwriters and claims personnel need a full picture of the risks, exposures and losses. In 1955, the late Stanford University professor John McCarthy held a workshop at Dartmouth College on "Artificial Intelligence," where he introduced the term "AI." Since that time, AI has become part of almost every industry, including insurance. Artificial intelligence is moving our insurance profession into a faster and less



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burdensome online submission, quote and claims progression.

For example, once addresses are entered by the client, property risks can be ascertained almost automatically by pulling up online maps with aerial and street views, the latest property sale and tax information, and the distance to the nearest fire station and fire hydrant. AI algorithms can not only provide the history of losses in that ZIP code but also do predictive analysis on likelihood of a loss and the financial impact.

This is a huge benefit for underwriters and claims professionals in order to provide accurate data for modeling and premium quotes, as well as finalizing a claim with AI-generated information that speeds up the claims process. Efficiency and accuracy are two pillars of the insurance world helped by AI. A number of institutions of higher



learning believe that AI-generated content could soon account for over 90% of all information on the internet. But how can insurance underwriters, using AI, separate fact from fiction? Could AI be wrong?

AI systems can be imperfect and may produce erroneous outcomes if they are trained on biased or inadequate datasets. Add to those false pathways, poor data integration, algorithmic bias and decision-making errors and, yes, AI can be wrong.

Examples may include denial of a claim due to not having the correct nomenclature programmed into and recognized by AI. At times, AI will confidently, yet inadvertently, omit information, such as a street address; or list a medical condition that a claimant may not have had; or fail to post electronic fund transfers in a timely manner

for premium payments, resulting in a notice of cancellation.

And what about “business decisions” made by insurance carriers when a loss occurs? Can AI make decisions based on business relationships and long-term client loyalty? More so, what data points go into that algorithm?

AI has proven that it is here to stay and offers a huge amount of promise for the insurance industry. But mitigating uncertainty—certainly a word most carriers do not like—of AI imperfections (or mistakes) has to be at the forefront of asserting the risk decision-making for accuracy by machine and human on paper and online.

As McCarthy once said, “You don’t want to examine the basis of your computer’s morality any more than you want to see sausage being made.” **BR**