Artificial Intelligence (AI) in Insurance Moving From Pilots to Programs: Insurance IT Services Annual Report 2018

Insurance IT Services (ITS)
Annual Report – May 2018: Complimentary Abstract / Table of Contents

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In addition to a suite of published research, a membership may include

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- Workshops

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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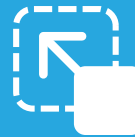RESEARCH

Background and scope of research

In looking to the future, insurers are rethinking their business philosophy and developing a customer-centric value proposition, positioning themselves as protectors more than payers. As part of this process, they are looking to develop innovative, contextualized products to meet evolving customer needs, and shifting the insurance distribution strategy to adapt to these new offerings, client needs, and the digital technology-led disruption in the market. To expand product offerings and provide a frictionless experience to end users, they are bundling insurance contracts with other products and services.

Insurers are adopting a wide variety of technologies to meet changing demands, including analytics, Artificial Intelligence (AI), automation, blockchain, cloud, and Internet of Things (IoT). Alone and in combination, these technologies will help insurers to reduce costs, optimize processes, launch innovative product offerings, and improve customer experience.

To bring these concepts to fruition, insurers are collaborating with InsurTech partners to build and evaluate Proofs of Concept (POCs), develop customized solution offerings, and test emerging technology use cases. They are also partnering with technology and platform providers to build plug-and-play models.
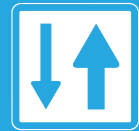
In this report, we studied the AI-focused investments by 100 global insurers as they move ahead in their digital transformation journey. We focus on:	Shift in paradigm for the insurance industry	Use cases of AI across the insurance value chain	Emerging priorities of insurers to remain competitive

Scope of this report

Industry	**Companies**	**Geography**	**Use cases**
Insurance (Life, Annuities, and Pension (L&P); Property and Casualty (P&C); and reinsurance)	Market activity and investments of 100 insurance firms in AI	Global	80 distinct use cases where AI was leveraged in the insurance industry

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- Background and scope of research

- **Summary of key messages**

- Leveraging AI in insurance

- Implications

- Appendix

Insurers have accelerated their focus on embedding intelligence across the value chain with higher adoption of AI for sales & distribution and underwriting

Extent of adoption of AI[1]: ● High ◑ Medium ◐ Low ◔ Very low

Use cases of AI across the insurance value chain

	Product development ◔	Sales & distribution ◑	Underwriting ◑	Policy administration ◐	Claims management ◐
Sample use cases	• Leverage real-time and usage-based data to develop customer-focused products • Suggestions to customers on their required insurance plan and the sum insured • Predict success of new products	• Electronic KYC and automated form filling • Virtual agents for guided online buying processes • Use NLP to address customer queries on policy components	• Real-time risk assessment for automated underwriting and direct policy purchase • ML to improve the traditional statistical models for claims forecasting	• Face & voice recognition and digital signatures to fill forms • Auto reminders for policy updates triggered by life events	• Claim validation and loss determination through drones (video and image analysis) • Algorithms to automate payout calculation for policyholders, thereby reducing the manual effort

Use cases of AI across horizontal processes

Customer experience ◑	• Customer portals and mobile applications for self-service and personalized experience • Use of face identification and voiceprint to reduce time taken for customer verification • Chatbots and virtual assistants to provide quick resolution to standard customer inquiries	
Risk & compliance ◔	• Analyze transactions to identify/predict/prevent fraudulent claims • Analyze social media and other channel data to identify non-compliant actions by advisors/agents • Automate risk analysis and reporting	

1 This is based on the activity of 100 global insurance firms' adoption of AI across their processes
Source: Everest Group (2018)

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This study offers a deep dive into the implementation of AI in insurance; below are four charts to illustrate the depth of the report

Key business objectives for AI implementation

100% = 80

- Product innovation: 19%
- Process optimization: 43%
- Customer experience: 58%
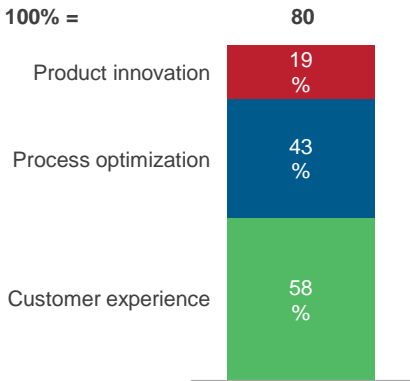
How insurers are improving customer experience

- Connected devices help in generating personalized, user-centric products for customers
- Insurers can provide customers with tools to better understand as well as better manage their risks, and thus help reduce premium payouts
- Use of drones result in reducing the time taken in assessing claims, as they use image and video analysis of the damaged assets

Connected devices | Chatbots and virtual assistants | Improving customer experience | Employee and agent experience

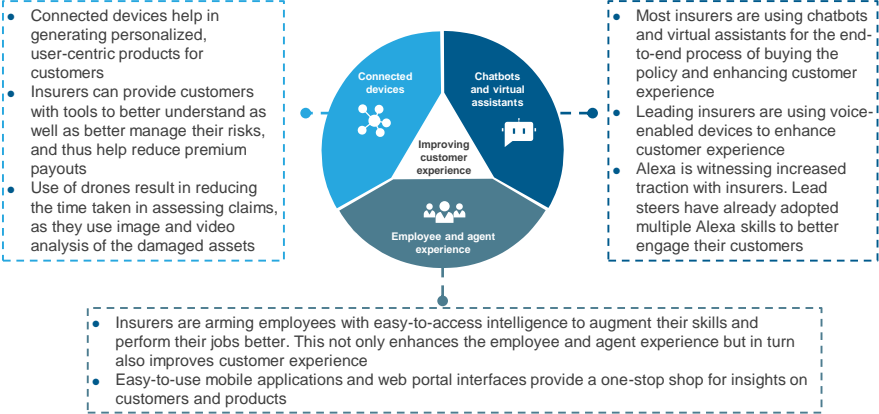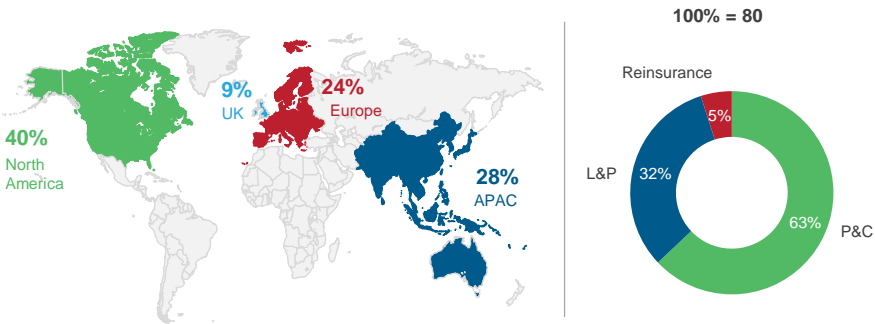- Most insurers are using chatbots and virtual assistants for the end-to-end process of buying the policy and enhancing customer experience
- Leading insurers are using voice-enabled devices to enhance customer experience
- Alexa is witnessing increased traction with insurers. Lead steers have already adopted multiple Alexa skills to better engage their customers

- Insurers are arming employees with easy-to-access intelligence to augment their skills and perform their jobs better. This not only enhances the employee and agent experience but in turn also improves customer experience
- Easy-to-use mobile applications and web portal interfaces provide a one-stop shop for insights on customers and products

Maturity of AI by geography and subsegments

- 40% North America
- 9% UK
- 24% Europe
- 28% APAC

100% = 80

- Reinsurance: 5%
- L&P: 32%
- P&C: 63%

Skill gap – barrier to AI adoption

Technology adoption plans (Future adoption / Current adoption)

Skill gaps (Moderate → High)

- Cloud-based IT infrastructure
- Agile & DevOps
- Big data analytics
- IoT
- Cybersecurity initiatives
- Cognitive & AI
- Online & mobile commerce
- Digital marketing
- Mobility and workforce device enablement
- RPA
- Digital content management
- Search engine optimization
- Social media engagement

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Research calendar for 2018 – Insurance IT services (ITS)

■ Published ■ Planned ⌐ ¬ Current release

Flagship Insurance ITS reports	Release date
Artificial Intelligence (AI) in Insurance Moving From Pilots to Programs: Insurance IT Services Annual Report 2018	**May 2018**
Application Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q2 2018
Guidewire IT Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q2 2018
Duck Creek IT Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q2 2018
Blockchain Services in BFSI – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q3 2018
Digital Services in L&P Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q4 2018
Digital Services in P&C Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q1 2019

Thematic Insurance ITS reports	
Enterprise Digital Adoption in Insurance	Pinnacle Model™ Assessment 2018: A Playbook for Digital Excellence	March 2018
Insurance ITO Transaction Activity and Market Trends 2018	Q2 2018
State of Cloud Adoption in Insurance	Q3 2018

Note: For a list of all Insurance ITS reports, please visit the Insurance ITS on our report portal

Additional Insurance IT services research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest

1. **Enterprise Digital Adoption in Banking and Financial Services | Pinnacle Model™ Assessment 2018: Harnessing Artificial Intelligence for Digital Leadership** (EGR-2018-31-R-2562); 2018. In this report, we understand enterprises' digital strategies, by conducting a study of 55 banking and capital markets organizations across North America, Europe, the United Kingdom, and Asia Pacific. We identified 18 key dimensions in which enterprises are making investments for digital transformation, and further identified five key dimensions where Digital Pinnacle Enterprises™ in BFS differentiate and reap higher returns

2. **Enterprise Digital Adoption in Insurance | Pinnacle Model™ Assessment 2018: A Playbook for Digital Excellence** (EGR-2018-31-R-2561); 2018. In this report, we understand enterprises' digital strategies, by conducting a study of 23 insurance organizations across North America, Europe, the United Kingdom, and Asia Pacific. We identified 18 key dimensions in which enterprises are making investments for digital transformation, and further identified five key dimensions where Digital Pinnacle Enterprises™ in insurance differentiate and reap higher returns

3. **Insurer of the Future: Insurance ITO Annual Report 2018** (EGR-2017-11-R-2463); 2017. In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global insurance sector. The research also captures key movements in volume/value of insurance AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

For more information on this and other research published by Everest Group, please contact us:

Jimit Arora, Partner:	jimit.arora@everestgrp.com
Ronak Doshi, Practice Director:	ronak.doshi@everestgrp.com
Aaditya Jain, Senior Analyst:	aaditya.jain@everestgrp.com
Priyanka Birla, Assistant Manager:	priyanka.birla@everestgrp.com
Pranati Goswami, Senior Analyst**:**	pranati.goswami@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com

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Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91 806-781-9999

Delhi
india@everestgrp.com
+91-124-496-1000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-416-388-6765

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