

TECHNOLOGY

Artificial Intelligence:

The practical. The problematic. The potential.

PART 1



Artificial intelligence (AI) is no longer a distant promise but a tangible force propelling the life insurance industry into a transformative era. With its ever-expanding capabilities, AI is reshaping the way life insurance companies and brokerage organizations operate, offering practical solutions, addressing challenging obstacles, and unlocking transformative potential for the industry.

When I first heard about AI coming into the market, my first thoughts were of dystopian movies like the *Terminator* and the *Matrix*. The debate over the benefits vs the risks of AI has just begun, but the reality is this technology is here to stay.

In this exclusive three-part panel discussion, we bring together a group of insurance industry experts who came together at the November NAILBA 42 to do a deep dive into the world of AI in life insurance. The following is an excerpt from the mainstage panel discussion.

MODERATOR:

Chris Orestis, President Retirement Genius

PANELISTS:

James Wong, Founder/CEO The Founder's Chair
Mark Holweger, President and CEO Legal & General America
Michelle Dauphinais, VP, Head of Distribution John Hancock
Harsh Singla, Chief Technology Officer Integrity
Amanda Yoho, Chief Technology Officer Proformex

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Unlocking the potential and challenges

Moderator, Chris Orestis: How can AI foster innovation in the life insurance sector through new products or services? Are there specific AI-driven innovations that you believe will redefine the industry in the near future?

Amanda Yoho: The use of AI in the life insurance industry isn't new. It's already used by carriers or reinsurers for risk assessment and underwriting for data analytics and insights. There are other companies using it to digest large and complicated documents into concise summaries. But the use of ChatGPT-like technologies, known as Generative AI, are what will really transform distributors' business in the near term. You no longer have to employ a team of data scientists to get started with these AI models. If you know how to ask a question and you know how to read, you can leverage AI to make your business smarter and more efficient.

Orestis: How will the insurance industry address the need for transparency in AI-driven decisions that affect policyholders? What kind of regulatory developments are on the horizon?

Mark Holweger: It's not on the horizon – it's happening currently and will continue to develop. The SEC just released a proposed rule that aims to ensure AI and predictive

analytics don't introduce conflicts of interest or put the interests of the firm ahead of end clients. To date, we are only using AI at a relatively basic level (machine learning) which is using basic data points. Even this is generating steep change in customer experience such as the 36% instant decision rate and 14-day cycle times at LGA. The challenge will increase when we start using LLM (large language models) which use multiple over-layered data points integrated with third party data and, finally, experience! It will be a challenge for both carriers, distribution and regulators to make sure it's handled correctly and all parties will need to make sure they are employing the right capabilities to monitor and check.

Michelle Dauphinais: AI is growing fast and gaining users at record levels. To provide some perspective, for Netflix to reach one million users it took 3.5 years, Airbnb 2.5 years and ChatGPT just five days. (Source: Statista)

AI has the potential to transform our industry by improving efficiency, customer service, risk assessment — and by increasing sales capacity. However, regulation will play a critical role in ensuring ethical and responsible uses that protect customer data and prevent bias and discrimination in decision-making.

As AI continues to make big leaps forward, how can the insurance industry effectively balance AI's enhanced decision-making with the human touch needed for customer interactions?

Regulatory action

The most notable regulatory action to date is the CO Senate Bill 21-169, signed into law on July 6, 2021. Its purpose is to protect consumers from insurance practices that result in unfair discrimination by holding insurers accountable for testing their data and models to ensure they do not unfairly discriminate based on a protected class. The bill also calls for a robust governance program, including (but not limited to) board oversight and senior management accountability.

It is appropriate and likely that regulation moves towards a future where we will let our customers know a decision was AI model-based and allow them to ask for human intervention as an option, ultimately meeting them where they are comfortable.

I also see a path to the "Forever Agency" that focuses on people, relationships, and delivering value to families when they need it most. AI tools, applied the right way, makes it possible to spend more time on this human element and less time and resources on administration.

AI examples in the market

Harsh Singla: It's no secret that data and AI are having a profound impact on the technology world — and advanced AI technologies like LLM, ChatGPT, and Bard are taking the business world by storm. The goal for distribution is to provide agents with timely, relevant, and contextual information so they can make real time, data-driven decisions.

AI can also now do real time call transcription and real time data capture from the voice itself eliminating the need to use a keyboard to type anything as they work with consumers. It then ingests this data into a CRM and guide scripts for providing real time hints to help agents address objections from consumers, as well as for carriers to develop new products based on consumers' feedback.

Predictive analytics models can help determine which consumers are more likely to switch their insurance policies in advance and then provide that information to agents in their CRM so that they can reach out to consumers quickly and take care of consumer needs. In addition to all this, the lead scoring and routing model looks at every lead, scores it and then routes it to agents who are most likely to serve that consumer best.

Independent distribution and beyond

Orestis: How does AI shape the future of independent distribution in the life insurance sector and empower these channels to remain competitive and adapt to changing customer needs and market dynamics?

James Wong: AI makes it possible to make things better, faster and cheaper all at once. AI will do two things: delay attrition and attract new talent to independent distribution. There are dangers to it, for sure, that will be considered as an industry but the impact on distribution is very positive. This will splinter the industry into two parts, those who have AI enabled tools as core to their service and offering and those that don't. Both can be profitable businesses, with the latter having greater risk to the BGA or practice owner. Rather than paint the doom and gloom picture, as entrepreneurs and business leaders, we already do that enough. I see two major shifts that will occur and that carriers and vendors alike can still orient ourselves and our businesses to get ahead for distribution.

First, the barrier of entry to start an insurance practice or BGA has never been lower. In the past, you needed hard fought industry experience, sizable contracts, valuable connections, and significant human and financial capital. AI is changing the landscape of these long-standing business norms and flattening the barriers to entry.

Staying in balance?

As AI continues to make big leaps forward, how can the insurance industry effectively balance AI's enhanced decision-making with the human touch needed for customer interactions? The panel addresses this question and more in the second part of the discussion within the March-April issue of *Aspire*.

ChatGPT sprints to one million users

Time it took for selected online services to reach one million users



*one million backers | **one million nights booked | ***one million downloads

Source: Company announcements via Business Insider/LinkedIn