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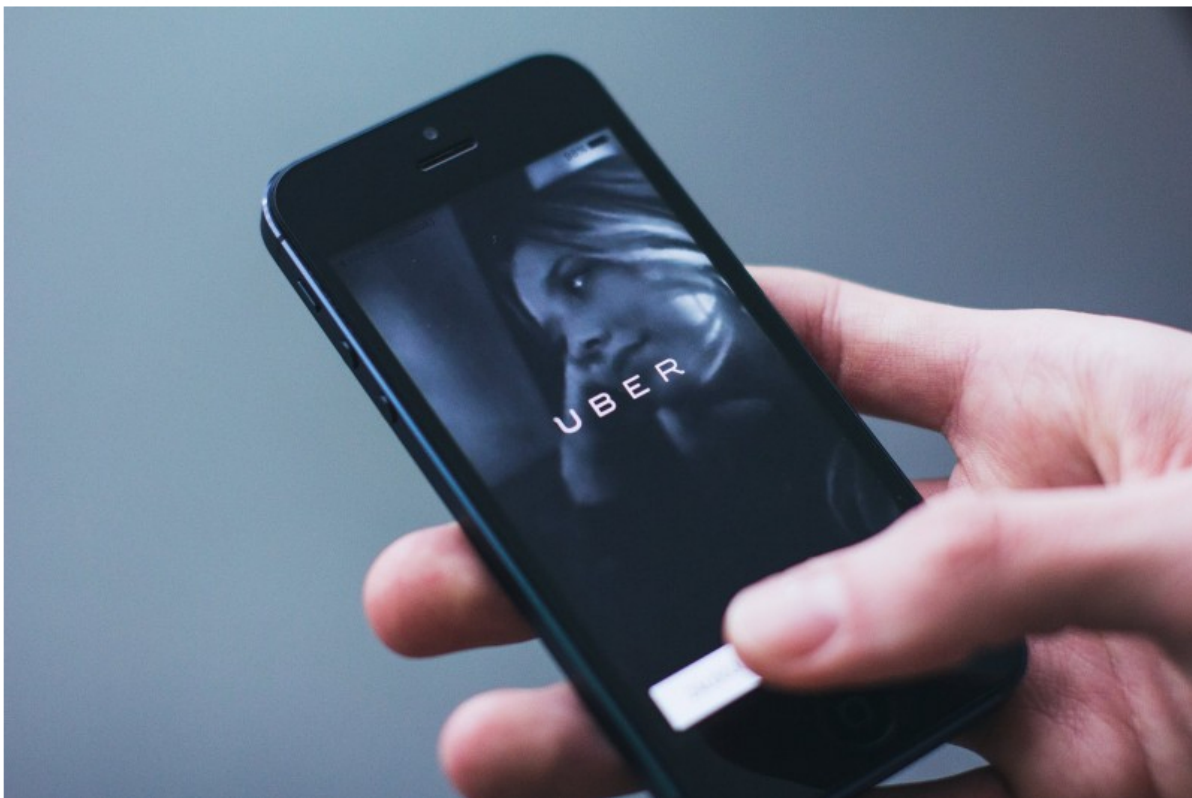
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AI Drives the Auto Insurance Industry into the Future

by Parker OVery

Every industry encounters changes, and the auto insurance field is facing some doozies. Greater reliance on ride-sharing systems like Uber and Lyft mean that many young people are losing interest in owning a car, and one day soon there could be a mix of driverless and semi-autonomous vehicles sharing roads with traditional drivers. New in-car diagnostics can read into driver behavior, and artificial intelligence (AI) is reducing the need for employees to do tedious tasks like data analysis.



Plus there's the fact that millennials – the **soon-to-be-largest generation** – are so tech-savvy that they are

demanding the ability to put together their own insurance packages and make changes whenever they feel like it through an online portal.

A traditional industry like insurance can be forgiven for thinking that these advances are a death knell for the world as they know it. In a way, they are: new types of customers are seeking new interfaces, and plenty of disrupters are out there ready to give it to them.

But with the proper mindset, change is nothing more than a new challenge, and insurance companies are showing that they aren't letting any grass grow under their feet when it comes to re-envisioning industry standards.

Defining Disruption

As we learned at the annual NAMIC convention a couple years ago, there are hundreds of new InsurTech startups today, and at least a third of them are focused on upending distribution.

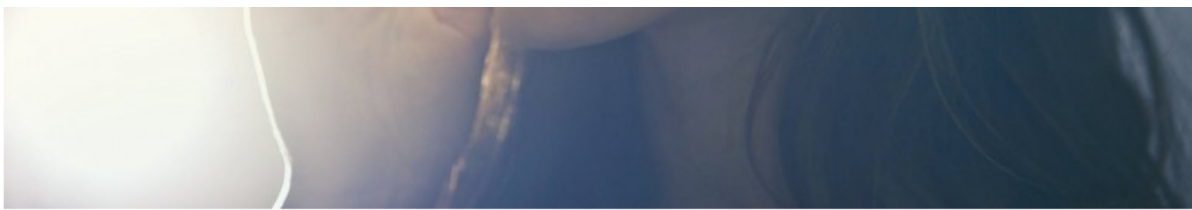
"The insurance industry is widely perceived as inefficient, product-centric and old-fashioned by the tech world and we manage literally billions of dollars in premium, all of which makes us a big juicy target," Tony Canas [wrote in his NAMIC recap article](#).

And up-and-coming companies like the entirely app-based [Root Car Insurance](#) are ready to shoot for that target. Root uses no agents to calculate a driver's rate or issue insurance cards. Instead, the app evaluates an individual's driving habits and calculates their rate accordingly, promising to deliver bigger savings to safer drivers.

Root advertises itself as "the first car insurance company that was founded on the relentless pursuit of fairness," implying that the industry can't be trusted and needed a shake-up. To traditional insurance suppliers who are stepping into the fray and tackling some of the most prevalent issues in their field with the same kinds of technology, those are fighting words.

But that opposition doesn't have to be the reality. The most promising solution could lie in a middle ground of digital and human processes.





Using New Tech to Create Safer Drivers

One of the biggest issues in auto insurance is the rate of serious or fatal accidents. In 2016, motor-vehicle fatalities were the **highest they'd been in almost a decade**, totaling around 40,000. And 2017's numbers **look similar**, resulting in billions of dollars for healthcare and related costs.

Given those numbers, insurance companies employing **Internet of Things (IoT)** technology to monitor driving behavior are definitely onto something. In fact, **according to Rakesh Shetty**, an expert in enterprise software solutions, "By leveraging the power of IoT, insurance carriers can position themselves as comprehensive 'risk managers' in the emerging insurance market."

Several of the biggest are already doing just that, moving away from using standard risk factors such as age to concentrate on a realistic examination of driver habits. State Farm offers a **Drive Safe and Save Program** with drivers using either its proprietary app or a third-party tracker system. The company says **drivers can save up to 50% of their premiums** based on the results.

Progressive Insurance's **mobile app Snapshot** works similarly, offering qualifying drivers who use it a discount of around 0 on average. **Liberty Mutual's RightTrack** can earn drivers a policy **lifetime 30% discount**.

Fine-Tuning Claims Processing

Auto insurers are also finding ways to improve accident claim processing from start to finish using AI. A number of companies, including Liberty Mutual, let drivers take **photos of the damage** after an accident with their smartphones, expediting the claim process.

Since AI is faster than humans at spotting inconsistencies in applications, claims, and premium assessments, these programs can help insurers assess premiums more realistically and avoid paying out fraudulent claims. And using AI in this role could improve the customer-agent relationship in some unexpected ways.

"Using AI to review and decide the fate of a claim eliminates emotional subjectivity from the equation," **writes Daniel Wesley**, founder of CreditLoan.com, for Forbes. "When agents aren't trying to decipher whether a customer is telling the truth or not, it allows them to foster more positive interactions with those who aren't trying to game the system."

Keeping Customer Service Front and Center

Customers are loyal to companies that offer reliable, personalized service. Within the auto insurance field, agents who can give drivers tailored information can build a trusting relationship far faster than a bot. This is especially true for agents who have worked in one location for quite some time and have built up a familiarity

with the area's quirks. As [one recent study](#) points out, driving experiences and issues vary greatly from state to state, so insurers who can understand and respond personally to those specialized needs will go far with local clients.

On the other hand, human-caused delays like long wait times or complex claims processes can override even the best customer-agent relationship. Added to that are the challenges of serving a "[new breed of customers](#)," as Varun Dua puts it. Millennials have an extremely in-depth understanding of and comfort with technology, and they demand that companies have the same. They want fast access to information about additional services, expect digital financing options such as e-wallets, and have to be able to easily change their service selections online.

[Chatbots and AI assistants](#) are some of the most popular ways to offer the level of tech-based immediacy that such customers demand. They can handle low-level customer questions, keeping agents free to handle the more in-depth or tricky calls.

Some companies are even using bots to benefit employees. After Allstate expanded from primarily personal lines of products to include commercial lines, it experienced a [surge in calls](#) to the sales support center from internal agents who were unable to access the information they needed to talk to customers. The company solved the problem with a virtual assistant called the Allstate Business Insurance Expert (ABIE). Allstate agents use step-by-step guidance from ABIE to find information on the company's business products at a rate of 25,000 inquiries per month.

Facing the Future – What Else to Consider

It's understandable that insurers – especially independent agents, who may lack the resources needed to invest in tech-heavy solutions – are nervous about these developments, especially since it's still too early to clearly identify every success or failure in tech adoption. It's still unclear just how much of the insurance process can or should be automated.

If AI in other industries is any indicator, though, it's unlikely that the trend will completely disappear. Smart tech is here to stay.

Knowing this, insurers "should be ready to engage intelligently with new types of data and adapting their models and infrastructures to fully embrace the potential of AI," says [AI technologist Francesco Corea](#). He sees the industry's current cultural mindset as "the greatest barrier to early adoption of AI solutions in insurance contexts."

What may go a long way toward changing that mindset is a collaborative effort between more traditional insurance companies and the InsurTech "new kids on the block" entering the field. In 2017, the [Harvard Business Review](#) pointed out that insurers needed to "collaborate effectively with automakers, providers of communication and software systems, governments at multiple levels, and many other organizations. Insurers not doing so already should be actively identifying and mapping out ecosystem partners."

Having those conversations and automating the more menial tasks of insurance work like data collection could hold untold benefits. AI can do the legwork, gathering data and highlighting trends, while giving human agents more time and energy to piece that information together to find just the right coverage for their clients.

So let's be careful about throwing the proverbial baby out with the bathwater. With proper application, AI could be more of a solution than a problem. Yes, largely automated insurance companies like Root could disrupt the way insurance is traditionally handled (if they have real staying power, which has yet to be

determined). But if traditional companies can stay ahead of this AI trend, using tech solutions to support – rather than replace – the quality of care that only humans are currently capable of, the future of insurance looks bright for both clients and agents.



About **Parker OVery**

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