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5 **Areas** AI will transform insurance in **years**

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Simplified policy applications

Handwritten policy application forms remain popular, particularly Chinese application forms, in Hong Kong. Turning paper-based information into digital data is a time-consuming and costly process for insurance providers. Natural language processing (NLP) technologies like optical character recognition (OCR) and speech recognition can significantly simplify this process. Many commercial OCR software can reach up to 90% accuracy rate*, but its ability to recognize handwritten Chinese characters remains much lower. In the next five years, the maturing of AI and NLP will greatly enhance man-machine interactions, transforming the process of policy applications.

*https://en.wikipedia.org/wiki/Optical_character_recognition#Accuracy

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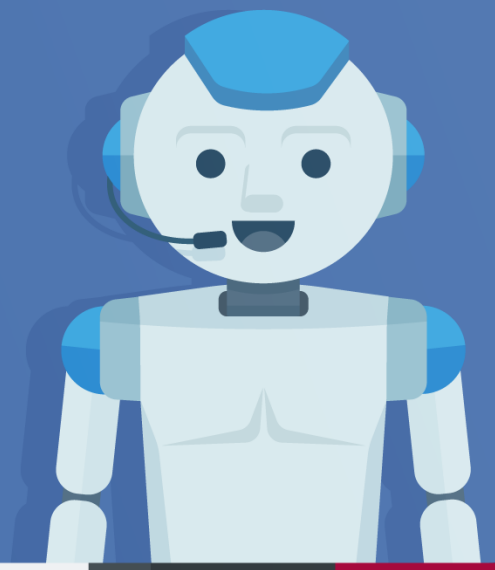
24x7 personalised customer services

Many Hong Kong leading insurance providers have started their chatbot journeys. They have matured from the first-generation FAQ chatbots into transactional chatbots, which integrates database, analytics, robotic processing automation (RPA) to handle personalised enquiries 24x7. They can answer questions about premium payment options, finding nearby doctors and healthy food recommendations. But this is still the beginning. The chatbot market is expected to reach US$3.2 billion by 2021*. The next generation chatbots are expected to be virtual assistants to answer complex personalised questions, like policy coverage assessment and offer customised coverages recommendations.

* https://www.prnewswire.com/news-releases/chatbots-market-growing-at-a-cagr-of-352-during-2016-to-2021---reportsnreports-623184583.html



Personalised and behavioural policy premium

The maturing of Internet of things (IoT) and its integration with AI are driving this transformation. Traditionally insurance premium is based on statistical sampling of past performances to forecast risk level of future outcomes. IoT disrupts this process. It allows insurance providers to collect data of real events and behaviour from individuals—instead of sample data—then integrate with machine learning algorithm to price insurance coverage. Many insurance providers are taking advantage of wearables and sensors, aiming to allow safer drivers and people with healthier lifestyle to pay less.

Enable fraud detection

Fraudulent claims are massive cost for insurance providers. It is reported to cost the industry US$80 billion in fraudulent claims each year*. One of the most common form of fraud is identity theft, where policyholder's identity data is stolen for filing claims. Some insurance providers, like Zhong An, have started to turn towards machine learning for fraud detection. More are expected to do the same in the next five years. Instead of relying on human to manually catch inaccurate claims, they use AI algorithm to identify patterns and recognize fraudulent claims.

* http://www.insurancefraud.org/statistics.htm

Speed up claim process

The insurance industry is notorious of its slow claim processes. It is often a result of multiple touchpoints across different departments aiming to avoid fraudulent claims. But speed in claims settlement will be critical for success in the next five years. AI algorithms do not only detect fraud, but also reduce human intervention and multiple touchpoints to speed up the claim process. An AI-enabled insurance player Lemonade stated it settles a claim in less than three seconds.* A faster claim process does not only bring customer satisfaction, but also improved productivity.

*https://www.cbsnews.com/news/digital-disruption-is-rocking-the-insurance-world/