AI-POWERED EXPLAINABLE DECISIONS ARE KEY TO SUCCESSFUL AI IMPLEMENTATION

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The pace of change in the insurance landscape, which has been largely accelerated by the COVID-19 pandemic, is unlike any other time in history. The last 18 months has posed many organizational challenges for insurers. Among these is the rising level of fraud (which we know increases during times of economic uncertainty) and sophisticated schemes.

When it comes to improving operational efficiency and addressing pandemic-related challenges, insurers have now turned to artificial intelligence (AI) to automate core processes, culminating in an unprecedented increase in AI investment and adoption across the board.

According to a study conducted by the ACFE, the use of AI and machine learning as part of organizations' anti-fraud programs is expected to have tripled. What's more, 55% of organizations also plan to increase their budgets for anti-fraud technology. One thing is clear: AI has become a cornerstone in the industry. Its presence is, undeniably, increasing across the insurance space and will only continue to do so.

As such, ensuring successful AI implementation within insurance organizations is a strategic priority. When insurers leverage AI systems that deliver explainable decisions, they receive clear insight into the AI's decision-making logic – making recommendations easier for insurers to trust and supporting the swift adoption of the technology.

WHAT ARE THE LEADING REASONS FOR MISTRUSTING AI SYSTEMS?

Though there is no doubt that AI-driven business tools are propelling companies to success and enabling them to outperform their competition, when it comes to adopting AI, many organizations struggle to implement these technologies due to a lack of trust and apprehension to turn over their responsibilities to an algorithm.

Ultimately, according to an article from Towards Data Science, below are two leading reasons for mistrust in AI technology:

- the AI technology is a "black box"
- there is a limited understanding of AI technology within the organization

WHAT IS A BLACK BOX?

A black box is a system or program that provides visibility to its inputs and outputs but provides no insight regarding the mechanisms or processes in between. Ultimately, it is not in human nature to trust blindly. Thus, a lack of transparency will make the technology and its decisions exceedingly difficult to accept.

THE IMPORTANCE OF TRANSPARENCY

Furthermore, though in some cases users of AI systems are allowed a look into the inner workings of the system, many organizations do not have the necessary personnel on hand to gain any deep understanding of AI – resulting in a continued distrust of the technology.

When the focus is shifted to transparency in decision-making, rather than understanding the complex details of how the technology operates, trust between insurers and the technology will grow.

HOW DO EXPLAINABLE DECISIONS BUILD TRUST IN AI SYSTEMS?

When insurers leverage AI systems that deliver explainable decisions, they receive a clear rationale for why the AI is making the decisions it is. As aforementioned, the focus on transparency enables trust to develop - in turn making it easier to accept the AI's outputted recommendations. In insurance, explainable decisions are delivered in all aspects of the claims management process, including fraud detection and claims processing.

EXPLAINABLE DECISIONS AT WORK IN FRAUD DETECTION

This may look like an explanation for why a claim was denied due to fraud. For example, suppose a claim for vehicle damage caused by winter weather was flagged as fraud. Without any rationale, this decision may seem flawed - as winter weather has long been known to cause damage to vehicles.

However, when the logic behind the decision is revealed – i.e., the claim was deemed fraudulent because the repair costs far exceeded the typical costs for similar vehicles with similar damage – it becomes clear that the AI's decision was well justified, building confidence in the logic of the system.

EXPLAINABLE DECISIONS AT WORK IN CLAIMS PROCESSING

Similarly, an explanation for why a claim can be straight-through processed will also be provided. Consider the case of a low value claim for windshield wiper repairs. Without a rationale to support the AI's recommendation to straight-through process the claim, insurers may be wary of the AI's decision-making logic – as decisions delivered with no transparency are difficult to accept.

However, when a clear rationale is provided (i.e., the recommendation was made in virtue of the fact that the repair costs are typical for similar vehicles requiring a similar repair), any apprehension of the AI's decisions will be assuaged.

THE ORGANIZATIONAL VALUE OF EXPLAINABLE DECISIONS

When we let AI take on the mundane tasks it is far better suited to do, insurers are elevated to focus on what they do best.

Leveraging AI-powered explainable decisions frees insurers to focus on high value and high complexity tasks. In the workplace, this means less time will be spent on manual and tedious processes, such as examining the details of claim documents – these are the tasks AI can handle more effectively as it is capable of swiftly comparing and processing millions of claim details, which far exceeds human ability.

Instead, insurers' time can be reallocated to take on the tasks only they do best, such as refining and developing new or existing business strategies or engaging with customers and ensuring their needs are being effectively addressed.

The result, in the end, is not only increased customer retention, profitability and margins, but also greater job satisfaction stemming from a lack of mundane and repetitive work.

CONCLUSION

AI has permeated nearly every industry and the insurance space is no exception. To maintain a competitive edge, insurers must look to AI technology to automate core processes. Though AI has undeniably become a necessary component of the insurers' arsenal, turning over internal processes to an AI system can remain a challenging initiative.

However, leveraging AI systems that deliver explainable decisions will mitigate the organizational challenges that come with implementation. Explaining the logic behind the decisions of the AI, rather than focusing on the complicated mechanisms of the technology itself, quickly builds trust within organizations - allowing for swift adoption of the technology and continued success in this pivotal moment of business.

Gary Saarenvirta is Daisy's founder and CEO and a preeminent authority on artificial intelligence. The former head of IBM Canada's data mining and data warehousing practices, Gary is passionate about AI and its ability to transform how insurers grow their businesses and establish an edge in an increasingly challenging environment. Under Gary's leadership, Daisy has established a track record of delivering verifiable financial outcomes for a rapidly growing list of clients.