

Follow the leader: Insurers using algorithmic underwriting

26 January 2024

Insurers are continuing to develop their use of algorithmic underwriting to assist with their processes.

In this article, we take a look at updates within the space.

Hiscox

In December 2023, UK insurer Hiscox announced that it had collaborated with Google Cloud to create a new artificial intelligence (AI) model which automates the core underwriting process.

The model combines Hiscox's AI Laboratories (Hailo) platform with generative AI technology from Google Cloud (Google Cloud's BigQuery and Vertex AI platform) to automate the underwriting process from initial submission stage, extracting data and insights from emails, to analysis and quote stage. This process is usually completed manually and is said to take up to three days in some instances. The AI model is reported to reduce this to just three minutes.

Whilst AI has been used before in the insurance sector, its involvement in the negotiation process for specialist commercial insurance contracts is a new development. In this instance, AI will be tasked with digesting the data and the draft contract provided by the broker. Hiscox's own system will then step in to determine if the risk falls within its scope. The AI tool will then draft the response to the broker, with a summary of what is agreed.

What does this mean for human underwriters?

When the new model is rolled out, the human underwriter will no longer be responsible for the three-day workload between submission to quote. Rather, they will review the summary created by AI before sending.

Hiscox's Kate Markham, CEO of the London Market division addressed concerns by reporting that:

"human insight is and will always be a crucial part of the specialist underwriting process" and that "[Hiscox] don't want to remove the human in the chain at the moment...we want to keep the underwriter so they can confirm that the models are behaving."

Markham also clarified that the intention was to "be able to serve our customers even more effectively and efficiently" by removing manual, time consuming tasks from underwriters, freeing them up for other tasks such as sales, travel and underwriting more complex risks not yet appropriate for AI. Markham also confirmed that hiring and growth would continue.

The model is expected to go live later this year for the London market insurance industry. Whilst its trial was initially limited to sabotage and terrorism cover, Markham advised that Hiscox would be attempting to include the service amongst multiple lines of business and developing the programme further in future.

Atrium

In a similar development, Atrium is partnering with InsurX, an independent digital insurance exchange, to provide algorithmic follow capacity for syndicates behind Atrium’s Direct and Facultative lines.

The collaboration will allow brokers, including MS, Cogent, Consilium, Gallagher and Miller to access follow capacity quickly and with ease.

The partnership follows others in the market using algorithmic follow capacity, such as Ki, a fully digital and algorithmically-driven syndicate.

Simon Clegg, Head of Property at Atrium said that InsurX’s Exchange provided:

“a powerful way to deliver relevant capacity solutions for our clients and brokers by partnering with follow capacity providers.”

To hear further discussion of AI considerations for insurers please see our recent article and take a listen to our partner, Tim Johnson’s, interview for the Insuring Cyber podcast.

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