

ChatGPT Discussion for NAIC Emerging Technology Working Group



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About Aite-Novarica Group

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, markets, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them.

Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

The quality of our research, insights, and advice is driven by our core values: independence, objectivity, curiosity, and integrity.

Our goal is to be a trusted advisor to our clients by using our data, experience, and proven best practices to help them make better, faster, and more lasting decisions.

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Emerging Tech in Insurance Overview

Emerging Technologies Surveyed by Aite-Novarica Group

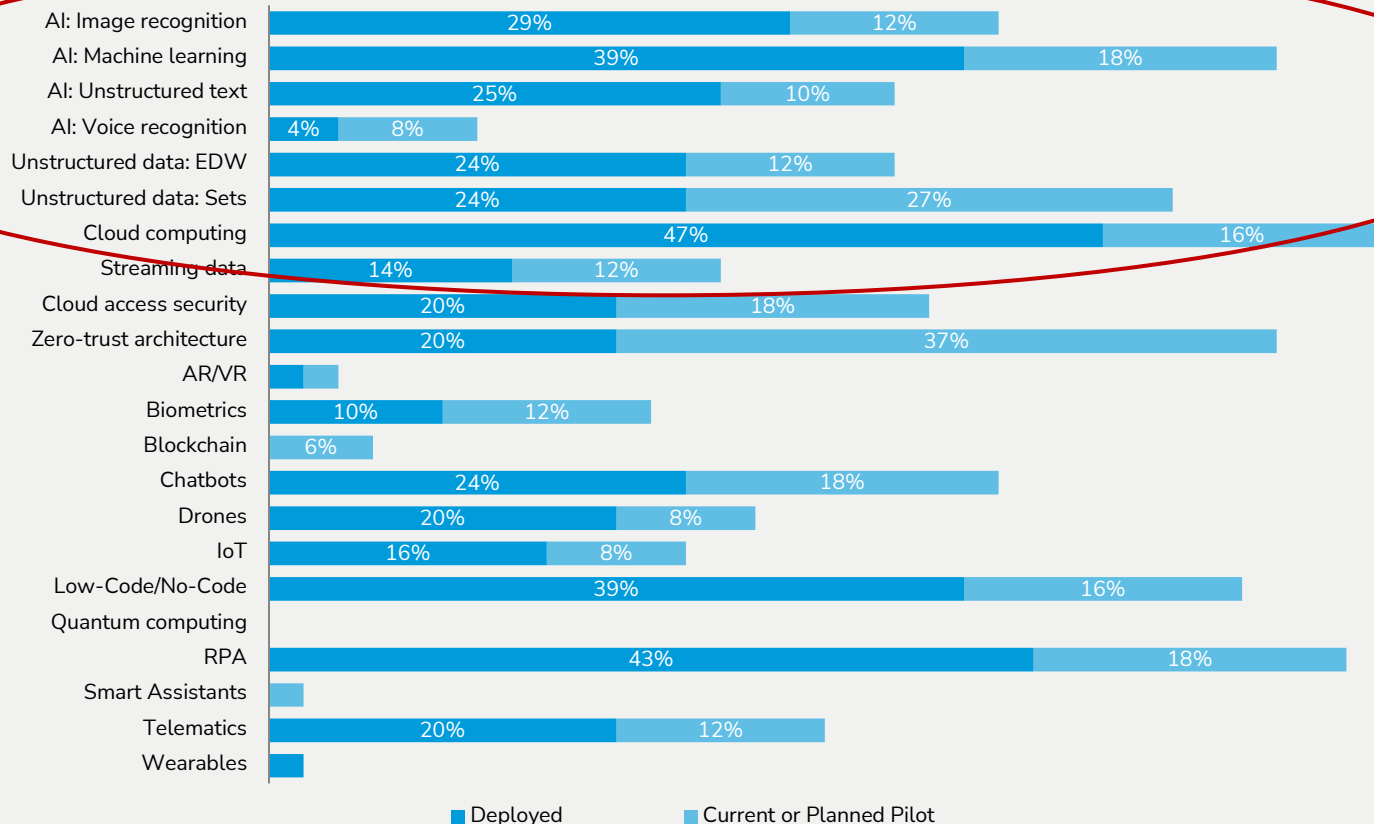
- **All Insurers:**
 - Artificial intelligence (AI), including machine learning
 - Blockchain
 - Biometrics
 - Chatbots
 - Cloud-native computing
 - Low-code/no-code platforms
 - Quantum computing
 - Robotic process automation
 - Smart assistants
 - Unstructured data technology
- Wearables
- Streaming data
- Cloud access security broker (CASB)
- Zero trust network access (ZTNA)
- **Property/Casualty Only:**
 - Augmented and virtual reality
 - Drones
 - Internet of things/sensors
 - Telematics

Emerging Technologies 2023

P/C Insurer Deployment and Pilot Rates

Cloud computing, RPA, low/no-code, and AI are the most-deployed technologies among P/C insurers. There's substantial pilot activity for ZTNA and unstructured data.

Emerging Technology Deployment and Pilot Rates Among Property/Casualty Insurers 2023
(Base: 51)

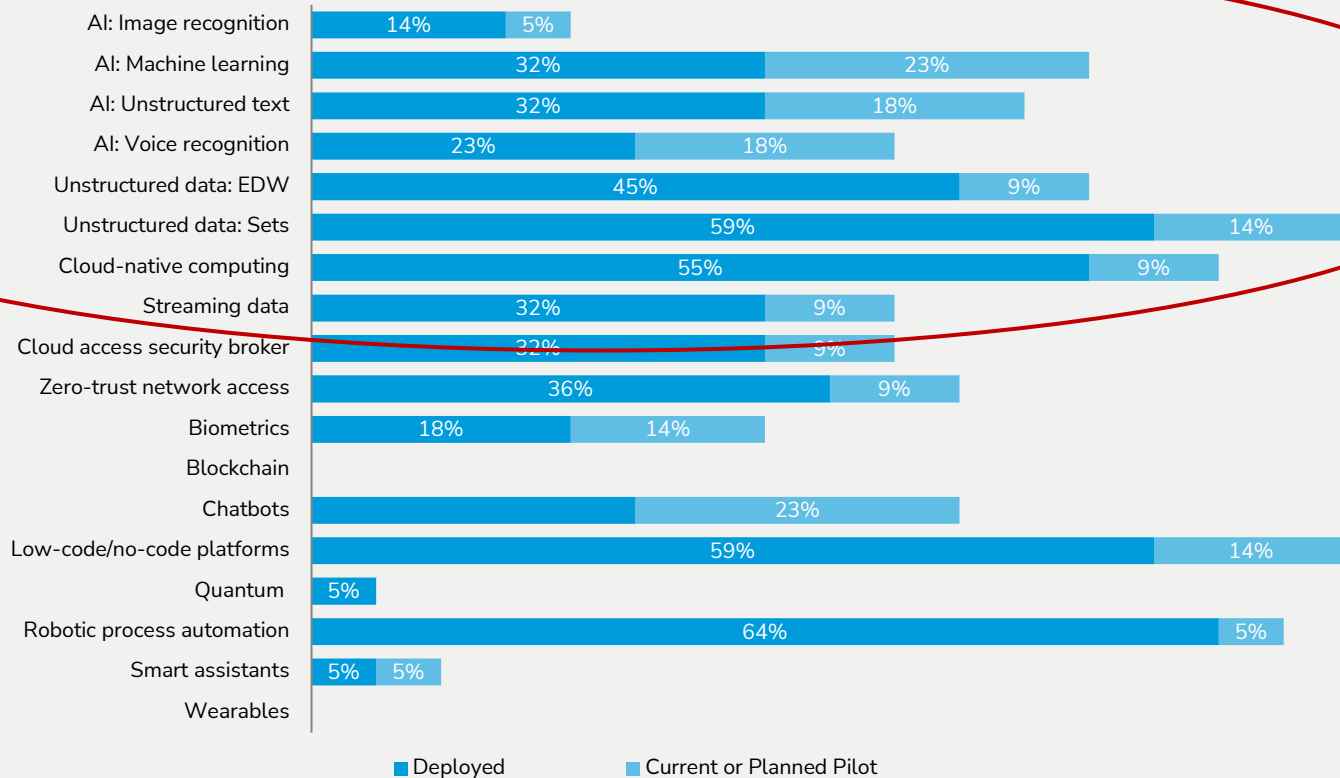


Source: Aite-Novarica Group survey of 51 North American property/casualty insurer CIOs, Q4 2022

L/A/B Insurer Deployment and Pilot Rates

Life insurers generally mirror their P/C counterparts, with even higher deployment rates for some technologies, driven especially by larger carriers.

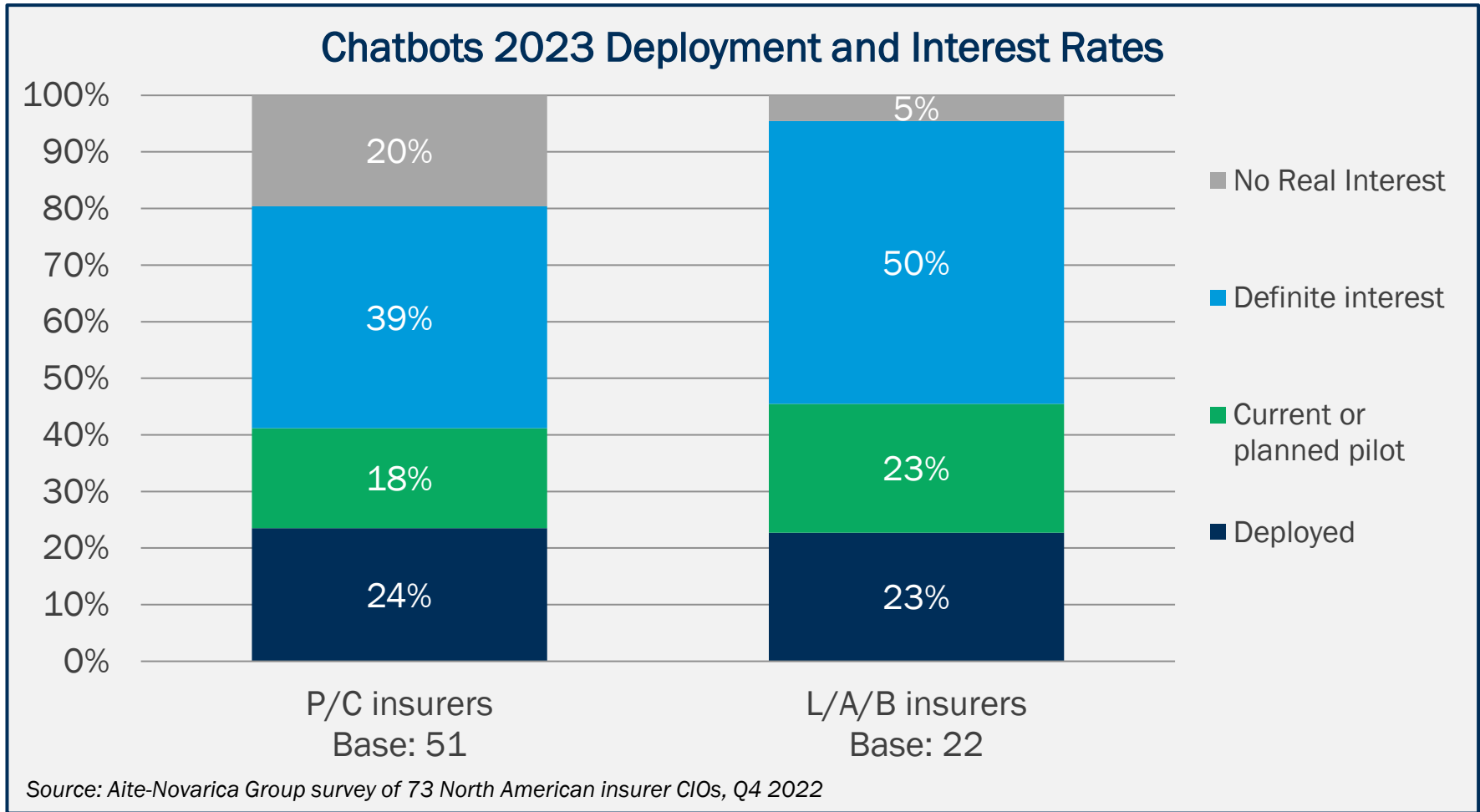
Emerging Technology Deployment and Pilot Rates Among L/A/B Insurers 2023
(n=22)



Source: Aite-Novarica Group survey of 22 North American life/annuity/benefits insurer CIOs, Q4 2022

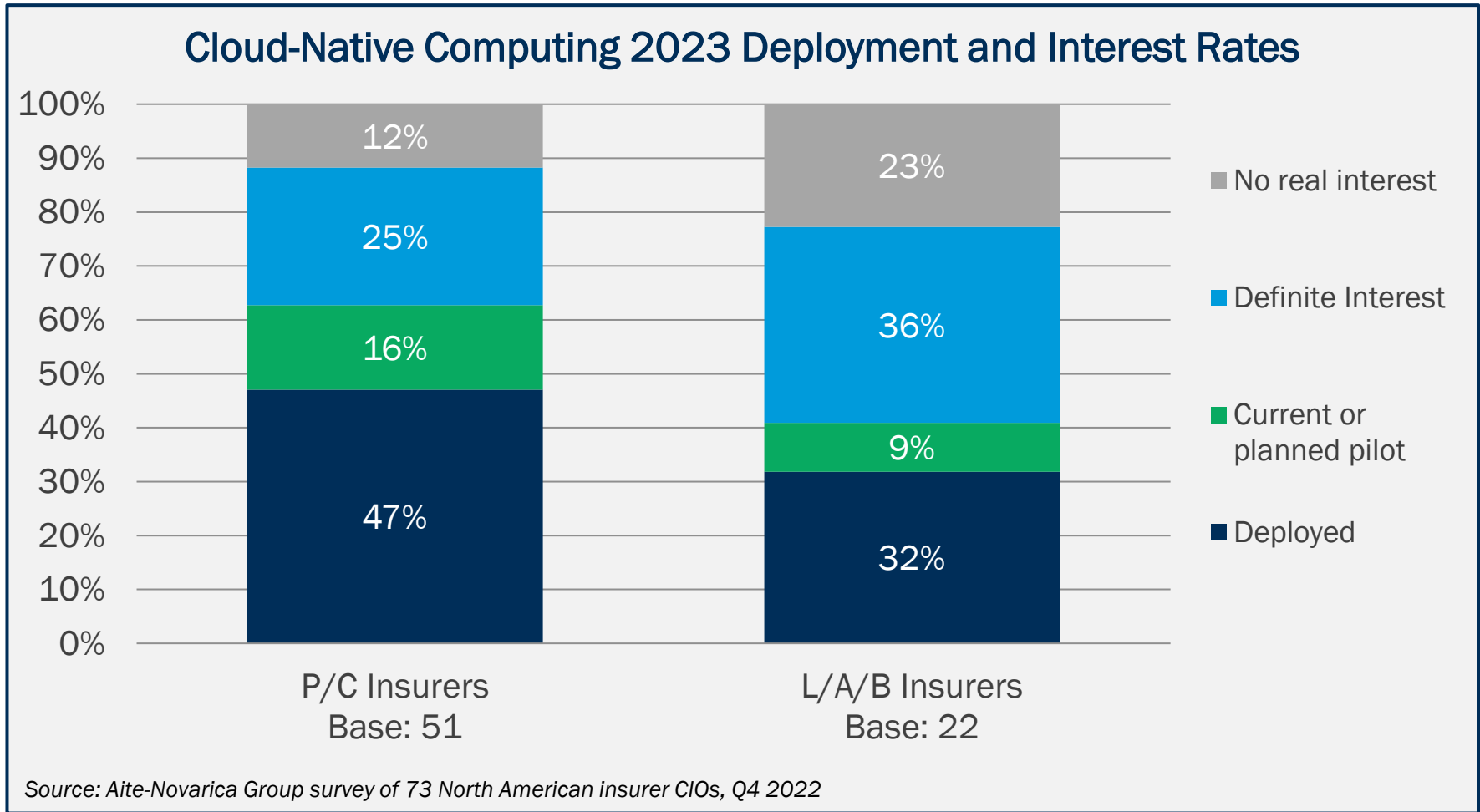
Chatbots

Chatbots, with very broad adoption, are **NOT** what we are discussing today. Don't get confused and don't be surprised if occasional insurer is confused.



Cloud-Native Computing

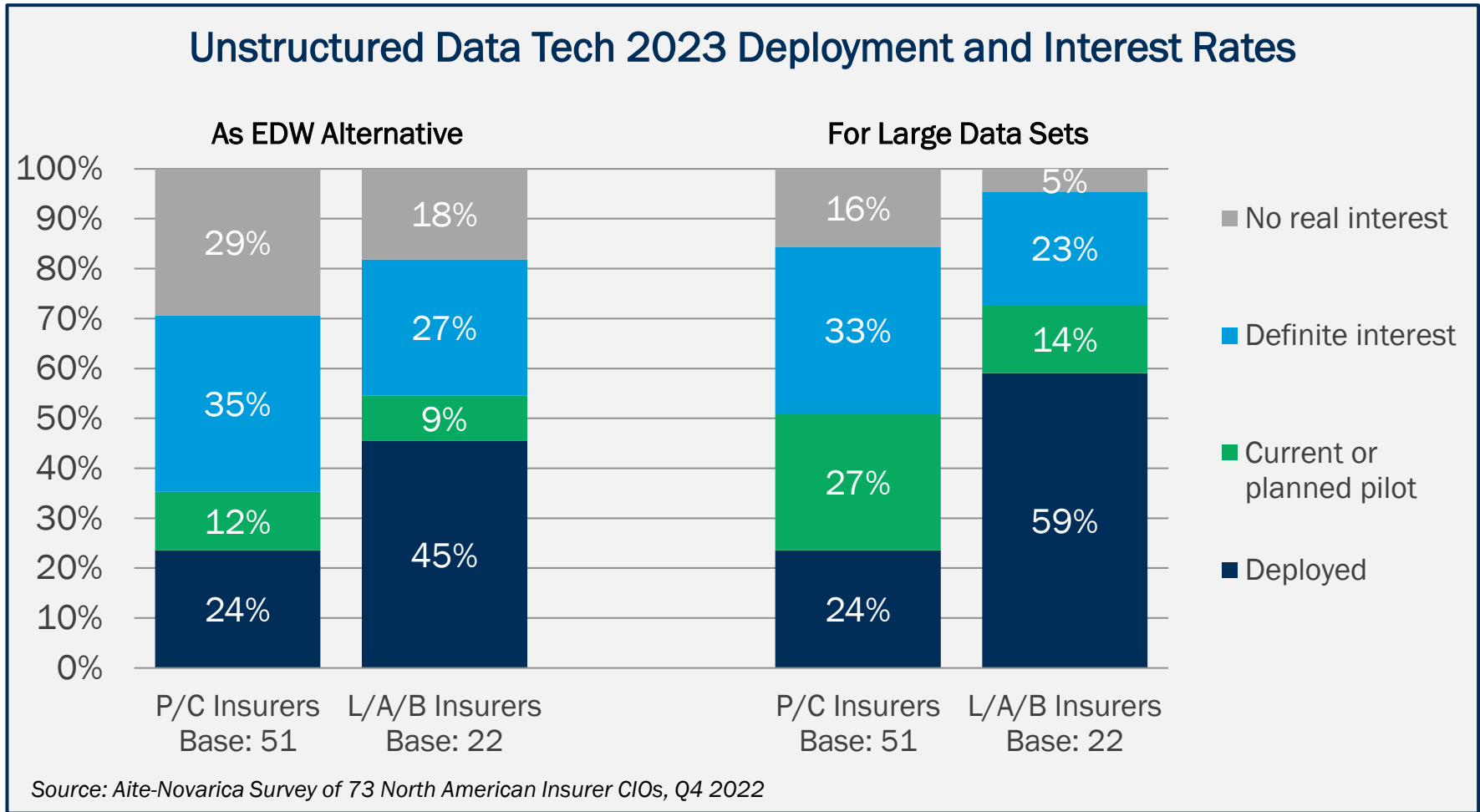
Many insurers now indicate interest in cloud-first infrastructures.



Source: Aite-Novarica Group survey of 73 North American insurer CIOs, Q4 2022

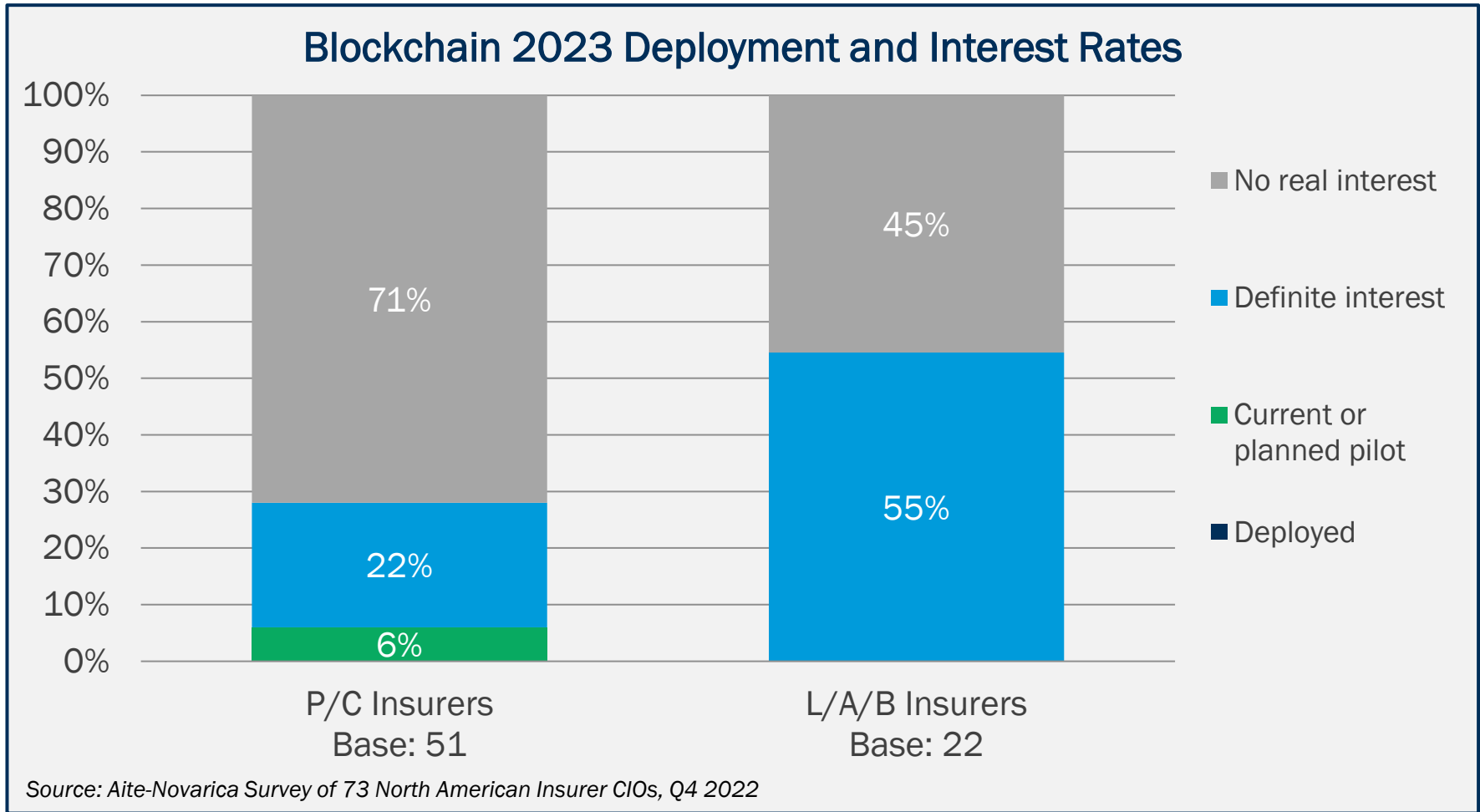
Unstructured Data

Large insurers especially are taking advantage of data lakes to transform enterprise data management. Insurers of all types recognize the value of “big data” sources.



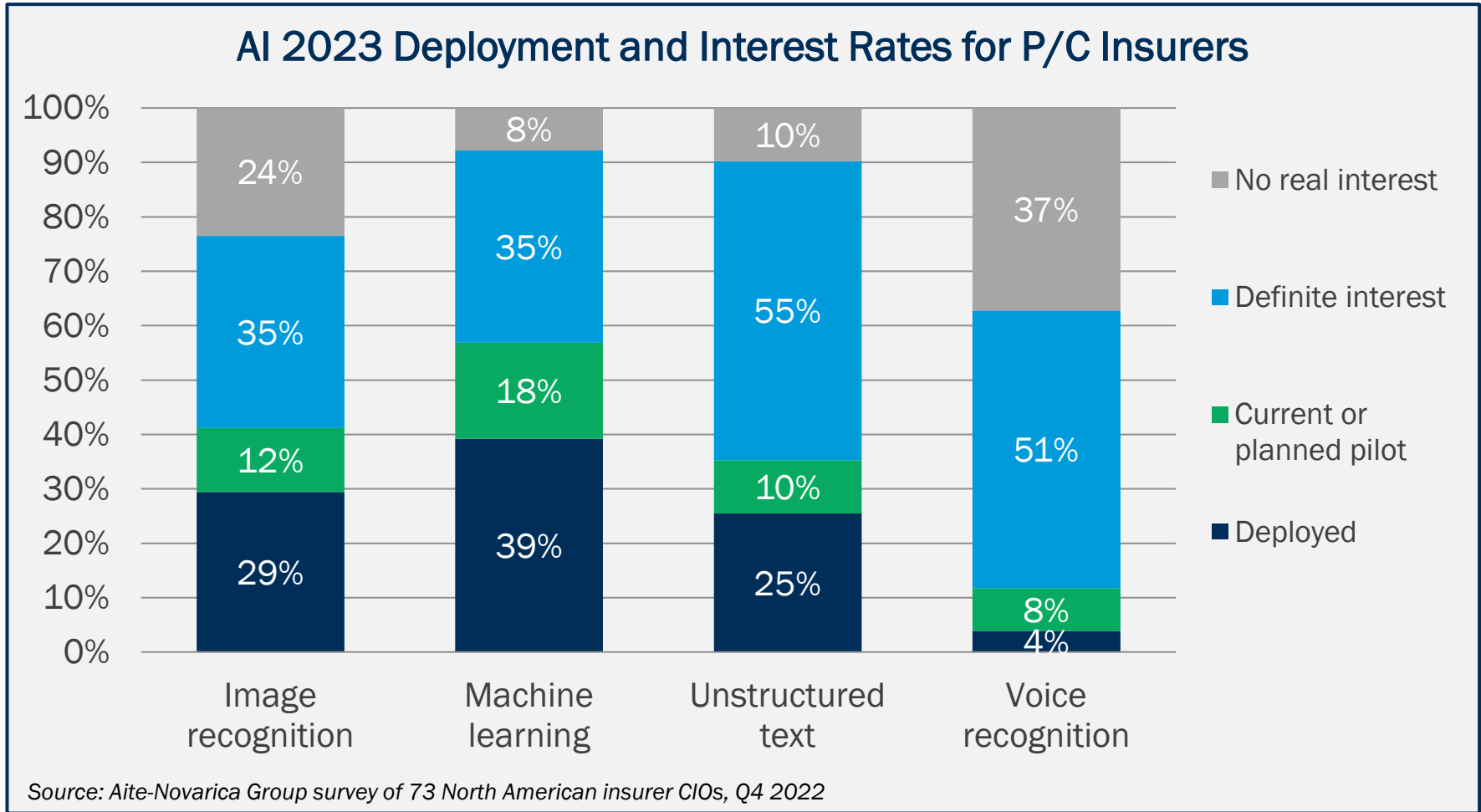
Blockchain

Blockchain interest remains more modest.



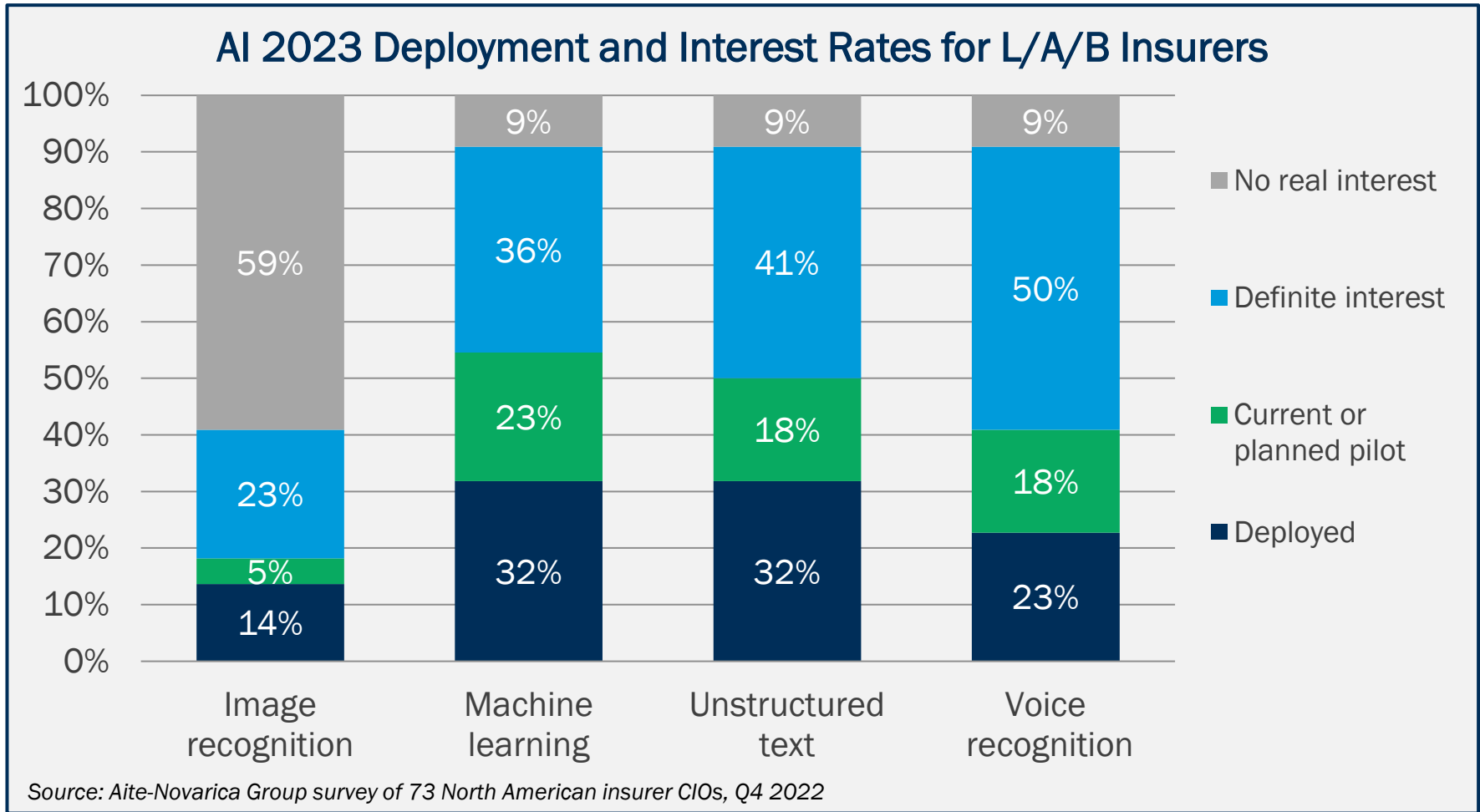
Artificial Intelligence among P/C Insurers

P/C insurers have invested heavily in machine learning and unstructured text capabilities.

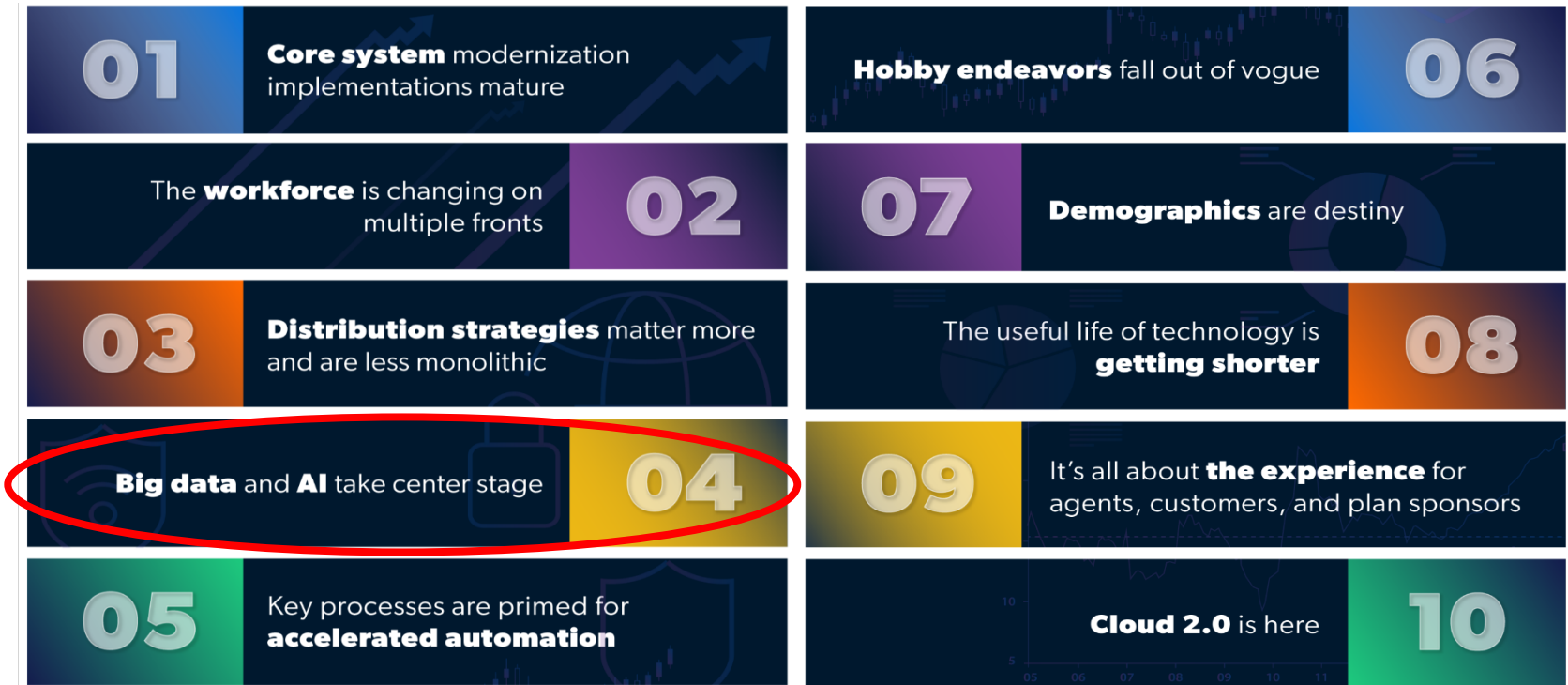


Artificial Intelligence among L/A/B Insurers

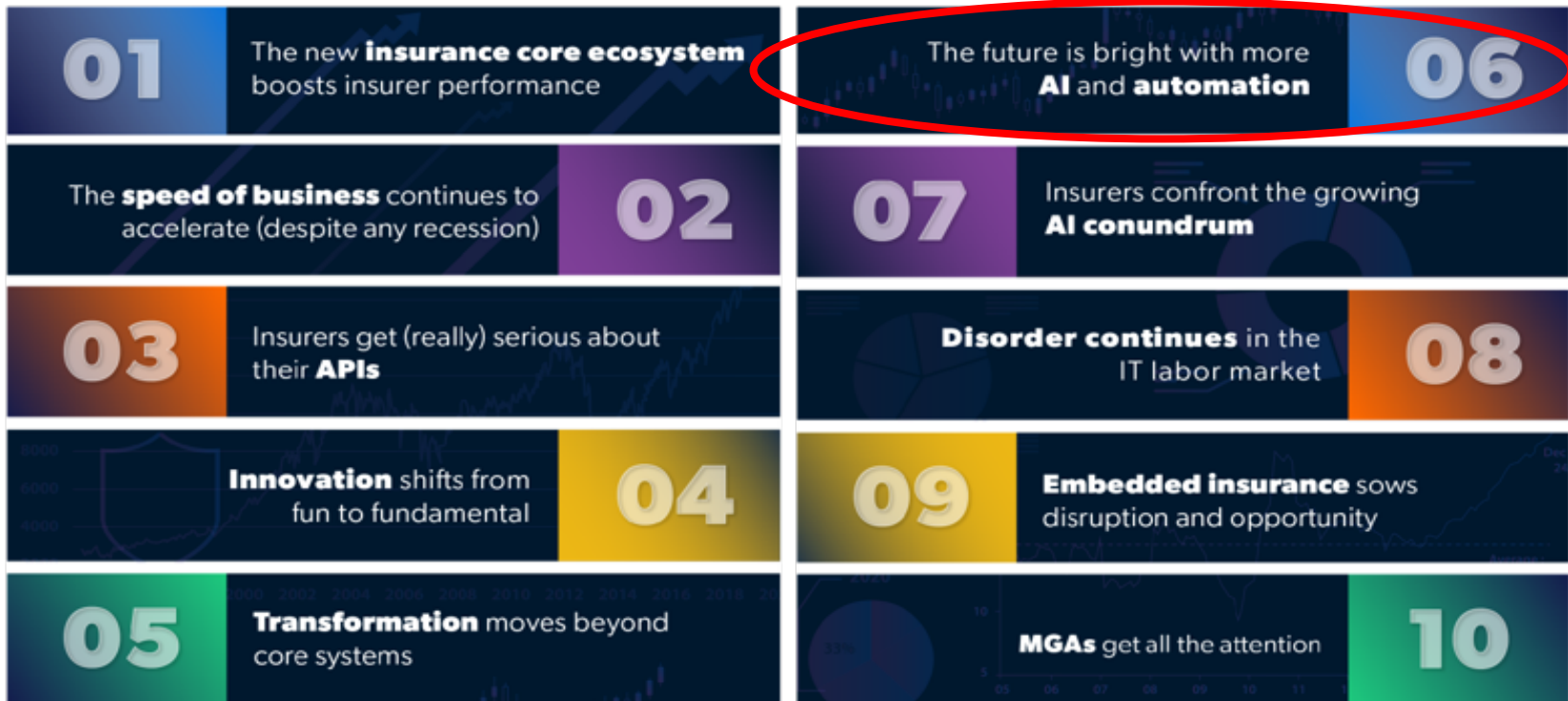
L/A/B insurers have slightly higher deployment of unstructured text capabilities and higher deployment of voice recognition.



Life, Annuities, and Benefits



Property and Casualty



What does of all this mean ?

Sustained investment (data)

PLUS

Broad interest (AI)

PLUS

Cloud investments

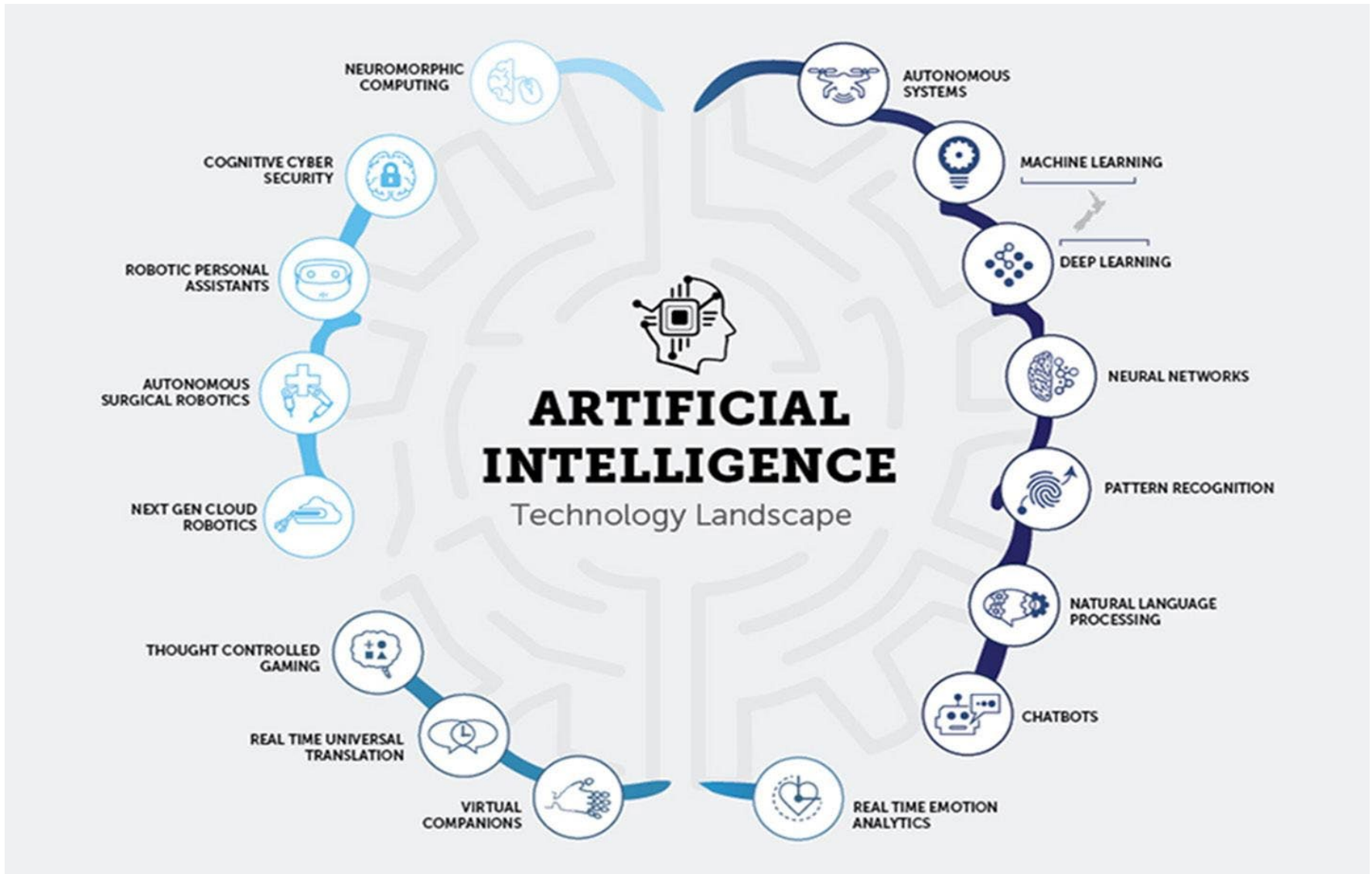
PLUS

Fervor (ChatGPT)

EQUALS

Time is now for engagement on AI topics

AI



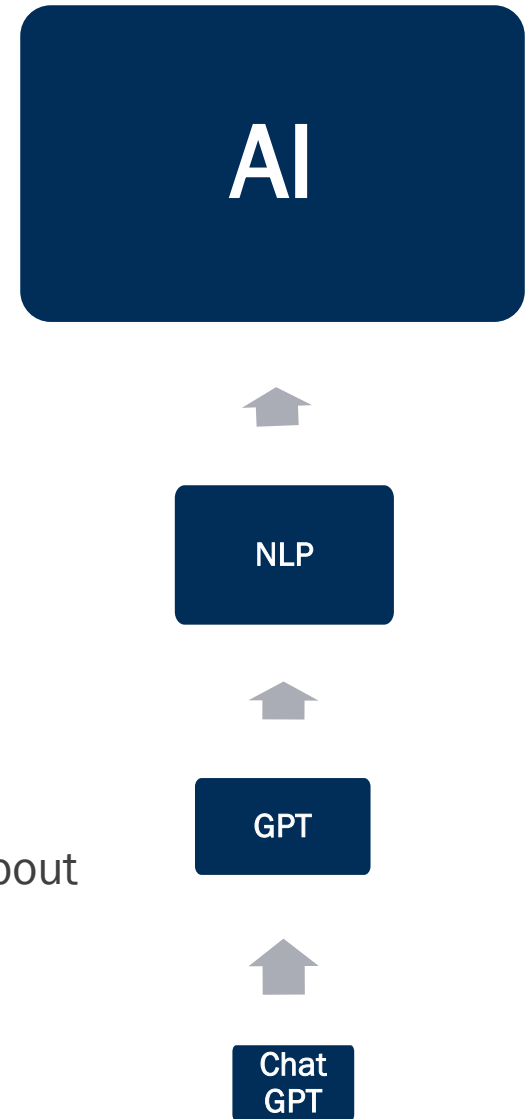
Recommendations for Discussing AI

Please tell me what AI is.....

- This is really important ! In 2022, AI had 100% adoption in marketing materials for technology companies
- Flavor one: Good programming
- Flavor two: Narrower AI; some AI/ML tooling
- Flavor three: General
 - More powerful AI is coming but....magic beans don't exist
 - The “holy grail” is clear (the Target story) but very elusive in 2022
- *2023 feels very different so far*

AI: 2023 Is not 2022

- CEOs and boards begin to see possibilities
- ChatGPT is accelerating the conversation
- 2023 is NOT origination; it is culmination for a lot of AI
- If ChatGPT can drive this much conversation & interest what about AI more broadly ?



ChatGPT in Insurance

- Companies are talking about very broad use cases across value chain
- Multiple companies have banned on network
- Many companies have done communications on usage
- All companies need to think about AI not just ChatGPT tool
- ChatGPT has accelerated the conversation

Outside of our industry, AI has arrived

- Home Security systems
- Scanning for tumors
- Cybersecurity

AI Perspectives – remove abstractions and work within reality

- This is technology –don't over personalize (“scary” “magical”).
- Current tools have a lot of flaws.
- Remove abstractions – focus on specific utilization
- Always question which village a prophet is from : Is Tesla stopping all AI ? SpaceX stopping all AI ?
- Understand that great power and great risk are the same conversation

AI Perspectives - Explainability is key

- Transparency is key—why wouldn't it be ?
- How can “its complex –we can't explain it” ever be acceptable ?
- Explainability will bring corporate allies
- Question : what is the most advanced technology you all as regulators deal with today and (likely) get very frustrated with ?

PEOPLE !!!!!!!!!!!!!!!!!!!!!



AI Perspectives - compare human decisions to AI decisions

- Humans have billions of neurons in their brain.....that isn't an excuse for not being able to explain decisions
- How can not be able to explain a model be acceptable ?
- A personal anecdote

AI Perspectives - What scares me / what doesn't

- Technologists and data scientists testing out new models and approaches has more risks
- Many technologies have built in tools for explainability but have to use
- AutoML – people blindly pushing buttons for answers. Statistics, technology and new concepts being used without understanding is high risk.

Take-aways

- (1) Due to sustained investment and recent fervor, the time is now for conversation
- (2) ChatGPT is an incredibly powerful force but focus on larger conversation of AI
- (3) Respect the force but don't abandon fundamental principles

Additional Information

- [Emerging Technology for L/A/B Insurers, 2023: AI, Chatbots, Cloud Computing, Unstructured Data, and More](#)
- [Life/Annuity/Benefits Policy Administration Systems: Capabilities Companion Report](#)
- [Life/Annuity/Benefits Insurer IT Budgets and Projects, 2023](#)
- [Top 10 Trends in Life, Annuities, & Benefits, 2023: Preparing for a Dynamic and Variable New Reality](#)
- [Aite-Novarica 100 Digital, Data, and Core Capabilities for L/A/B Insurers](#)

Contact Presenter



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Aite Novarica

The logo features the word "Aite" in a dark blue font with three small orange dots above the letter 'e'. The word "Novarica" is in a larger, dark blue font.

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