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Artificial Intelligence in Life and Non Life Insurance

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Abstract:
Awareness on Life Insurance is growing rapidly in India. Lot of Insurance Companies have emerged and the leading insurance company being Life Insurance Corporation of India followed by many private insurance companies. Most of the people have been benefitted through this Insurance Corporation. Artificial Intelligence in Insurance sector has been implemented in many of the countries. But in India it is still lacking. AI shall be introduced to improve underwriting as well as to better monitor and predict risk, and thereby advise policyholders on how to reduce risk, which can in turn help reduce the frequency and severity of losses over time. For example, AI can be used to help better serve motor insurance customers. Access to data for insurers can also make a significant contribution to the common goal and public interest of improving vehicle reliability and road safety.
Keywords: AI, Insurance, Life insurance, tax, general insurance, etc.

Introduction:
The word insurance has now become very common in India. Lot of Insurance Companies have emerged and the leading insurance company being Life Insurance Corporation of India followed by many private insurance companies. Most of the people have been benefitted through this Insurance Corporation. Awareness on Life Insurance is growing rapidly. Advertisements in Television and Social Media influences the People to take insurance policies. Agents have also been appointed to give awareness on various policies and involve the public to take insurance for their precious lives. Life insurance is a type of insurance that pays death benefit to the beneficiary. Nonlife insurance, on the other hand, is an insurance policy that covers risks other than death. Non-life insurance is also called as general insurance policies, that are designed to protect individuals and businesses against financial losses arising from unforeseen events such as accidents, thefts, natural disasters, etc. This article throws a light on AI in insurance sector.

Life Insurance:
Life insurance is a contract between an insurance policy holder and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money upon the death of an insured person. Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policyholder typically pays a premium, either regularly or as one lump sum. The benefits may include other expenses, such as funeral expenses.
Life policies are legal contracts and the terms of each contract describe the limitations of the insured events. Often, specific exclusions written into the contract limit the liability of the insurer; common examples include claims relating to suicide, fraud, war, riot, and civil commotion. Difficulties may arise where an event is not clearly defined, for example, the insured knowingly incurred a risk by consenting to an experimental medical procedure or by taking medication resulting in injury or death.

Tax Exemption:
According to section 80C of the Income Tax Act, 1961 (of the Indian penal code) premiums paid towards a valid life insurance policy can be exempted from the taxable income. Along with life insurance premiums, section 80C allows an exemption for other financial instruments such as Employee Provident Fund (EPF), Public Provident Fund (PPF), Equity Linked Savings Scheme (ELSS), National Savings Certificate (NSC), and health insurance premiums are some of them. Apart from tax benefit under section 80C, in India, a policy holder is entitled for a tax exemption on the death benefit received. The received amount is fully exempt from Income Tax under Section 10(10D).

Non – Life Insurance:
Any insurance that is not related to life insurance is General Insurance. People, legal liabilities and properties are covered under a non-life insurance policy. The amount specified in the policy is the sum insured which, during the policy period, symbolizes the insurer's maximum liability for claims. The insurer may specify the available amount of sum insured. The policy period of a non-life insurance plan is usually short, i.e., one year. The duration can be longer depending upon the type of insurance. The premium of the policy is paid right before the insurance company issues the policy. When an application for insurance is received by the company, they assess the risk involved depending upon the type of cover required. For example, under health insurance, the age, medical history, and current medical status of a person will be taken into account before the insurance policy is issued.

AI in Insurance:
Artificial Intelligence can change industries and lifestyles of a person. AI excludes some of life's tedious paperwork, allowing us to spend more time doing things we dream. When it comes to the insurance industry, a recurring vision for the future is that AI will potentially enable more precise coverage and pricing adjustments. While this is an attractive long-term goal, where AI is delivering benefits today and the opportunities for the insurance value chain in the near future. AI is already being used in many industries in the world. In India AI can be implemented in insurance companies for the following purposes: it can automate repetitive knowledge tasks (e.g., classify submissions and claims); it can generate insights from large complex data sets to augment decision making (e.g., portfolio steering, risk assessment); it can enhance parametric products and risk solutions. The following are the usages of AI:

A.Improved risk assessment and customer understanding:
Insurers get access to more and more data at the time of underwriting thanks to the digitalisation of existing touch points or access to new data assets with digital partners – just consider telematics, remote sensors, satellite images or digital wellness records. The ability of insurers to convert this data into actionable insights for underwriting, is a key competitive differentiator, as it allows them to offer customers more tailored coverage and pricing.

B. Claims - improved back-end processes, new products, and coverage for more risks:
AI capabilities can not only improve efficiency and insights but can also enable the development of new solutions and coverage for previously uninsurable risks. Swiss Re's parametric Flight Delay Compensation is built on an AI model that can predict flight delays. In the event of a delay, customers who purchased the insurance when buying their ticket will receive an instant pay out – with no need to file a claim. The solution uses more than 200 million historical data points and the machine learning capability of the pricing engine allows for rate adjustments, based on data from over 90,000 flights per day.
C. There are many new risks associated with the use of AI at scale that policymakers, big tech companies and insurance companies need to consider working on now so that AI adds value to society and that we can still effectively protect against the new risks associated with it. And, of course, as many of us ponder the potential for AI to enhance our own lifestyles, we'd love it if AI could free up more time for some of life's enjoyable activities.

Conclusion:
The insurance industry has always made extensive use of data and algorithms, such as in the calculation of insurance premiums, with data analytics forming an integral part of the insurance business model. The development of AI tools can help insurers to improve underwriting as well as to better monitor and predict risk, and thereby advise policyholders on how to reduce risk, which can in turn help reduce the frequency and severity of losses over time. AI solutions can be used to analyse customers' driving behaviour based on the data collected by smartphone apps or plug-in solutions. This allows insurers to offer a range of innovative insurance products better suited to user needs, such as "pay how you drive", which encourages and rewards responsible behaviour.

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