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[The Ethical Considerations of Using AI in Insurance: Striking the Right Balance](#)



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Imagine a world where insurance claims are settled within minutes, underwriting is instantaneous, and customer service is available 24/7 without a single hiccup. Sounds like a dream, right? This isn't the future; it's the present, powered by Artificial Intelligence (AI). However, as with any powerful tool, AI has its own ethical dilemmas that the insurance industry must navigate carefully.

A report by PwC India highlights that 56% of Indian insurance companies actively invest in AI-driven solutions. Yet only 32% have implemented comprehensive frameworks to address the ethical implications of these technologies. The industry must focus its efforts on this gap between innovation and ethical oversight.

Ethical Considerations:

1. Bias in AI Algorithms: One of the most significant concerns is the potential for AI to perpetuate or exacerbate existing biases and discriminatory practices. As AI algorithms depend on training data, any inherent biases present within this data may be replicated by the systems, resulting in unfair treatment during critical procedures such as underwriting and claims assessment. A study by PwC found that 65% of consumers believe AI systems used in insurance might be biased against certain groups. For example, if an AI model is trained on data that underrepresents women, it might inadvertently favour male applicants in policy pricing or claims processing.

2. Transparency and Accountability: Transparency is another critical ethical consideration. Complexity and opacity of AI systems create challenges in understanding their decision-making processes. Consequently, consumers may struggle to comprehend the justification behind coverage denials or premium calculation. Customers often need more visibility into how AI algorithms make decisions, which can lead to a lack of trust. According to a report by McKinsey, 72% of customers want to know how their insurance premiums are calculated, yet only 38% feel they need a more precise understanding. Furthermore, this lack of clarity leads to crucial questions about accountability: who bears responsibility when an AI system malfunctions or inflicts harm? Insurers must ensure that AI-driven decisions are explainable and that there is accountability for the outcomes.

3. Data Privacy and Security: Privacy also stands out as a fundamental ethical factor in the deployment of AI within insurance operations. These systems often require extensive amount of personal information for optimal functionality, raising concerns about data collection methods, storage protocols and usage policies. There exists a significant risk that sensitive personal data could be

misappropriated or accessed improperly, resulting in violations of privacy rights and undermining trust between insurers and insured. A recent survey by EY indicated that 58% of Indian consumers are worried about how AI systems are using their data in the insurance industry. Ensuring robust data protection measures are in place is not just a legal obligation but also an ethical one.

Conclusion:

As we continue to harness the power of AI in insurance, it's crucial to strike a balance between innovation and ethics. The industry must proactively address biases, enhance transparency, and safeguard customer data.

In the words of Sundar Pichai, CEO of Google, "AI is one of the most profound things we're working on as humanity. It's more profound than fire or electricity, but we must ensure it is harnessed for good." The future of AI in insurance holds great promise, but it must be guided by ethical principles to benefit society truly.