The background of the top half of the page is a grayscale image of an insurance policy document. The words "INSURANCE" and "POLICY" are printed vertically in large, bold, serif capital letters. To the right, a magnifying glass is positioned over the document, focusing on the "TERMS AND CONDITIONS" section. A small white toy car is visible in the upper right corner.

# P&C Insurer, 5 questions to ask AI Insurtechs before partnering with them

A guide to smarter business partnerships by Pinpoint

Artificial Intelligence (AI) capabilities are quickly becoming a must-have core competency for insurers wishing to succeed. Leading insurers are materially enhancing operational capabilities and profitability by partnering with AI Insurtechs. This has helped them improve their loss ratios, risk selection processes and customer experience.

But many insurers that want to leverage AI in their businesses are also worried about the challenges it brings. They fear being left behind or becoming irrelevant in this fast-changing insurance market.

Pinpoint has put together a framework of questions to help insurers engage in the right conversations as they look towards AI Insurtechs to grow profitably in the coming years.



## Overview

AI has the power to transform a carrier into a personalized insurer. It can create smarter insurance companies that harness the power of AI to implement data-driven, micro-segmentation strategies that keep bad risks off their books.

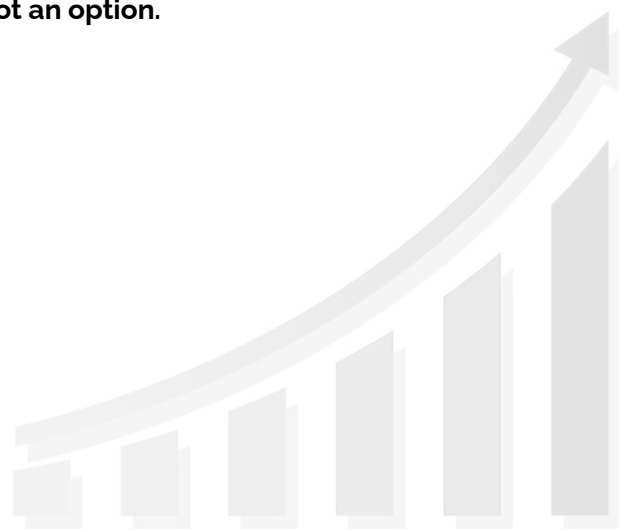
*It is an incredible time to be in the industry. While this is extremely exciting, it is important to point out that, as with any new technology or capability, there is some hesitation from some insurers.*

Insurance is an industry that is slow to change, and incorporating technologies like AI can prove challenging. Much of the hesitation is caused by the rapidly developing, but still uncertain regulatory guidelines and oversight in terms of AI. This can either be a stumbling block to growth or an opportunity, depending on how insurers approach it.

Partnering with AI Insurtechs can help insurers capitalize on the new opportunities, fast track their growth, enhance customer experience, and overall improve operational efficiencies. A right partnership can make it easier for many insurers to leverage AI in their day to day operations.

Insurers can, and should, address regulatory hesitations through the diligence process. With just a few steps, insurers can create confidence in their own processes and the AI-powered solutions Insurtechs offer.

**While scrutiny is prudent to avoid potential risks and ethical pitfalls, slow adoption is not an option.**





Many professionals are raising dozens of potential concerns with AI. In our experience the primary concerns fall into two buckets: **Privacy and Security and Ethical use of AI.**

Here is our list of 5 questions that an insurance organization should ask when evaluating potential partnership with AI Insurtechs.

### Question 1

***When was the last time your methods and outcomes were validated by a third party?***

*What to look for in the answer:*

Third-party validation should be part of every AI organization's compliance platform and adds confidence to internally created policies and procedures. Additionally, it is critical to also ask how frequently does the organization conduct or schedule a third-party validation.

### Question 2

***What have you done to mitigate or manage bias within your methods and, if applicable, predictions?***

*What to look for in the answer:*

Scrupulous monitoring of data and methods should be foremost on the priorities of insurtech AI groups. While there are varied methods to accomplish this, the policies and procedures should be clear and compliance validated.

### Question 3

***What steps do you take to protect your carrier and client data?***

*What to look for in the answer:*

Ideally, the insurtech you are partnering with has ongoing monitoring of privacy and security procedures. A very good indicator of the prioritization of privacy and security is a SOC 2 Type 2 certification that is continuously monitored by a third party.



## Question 4

### **What do you do to stay in compliance with the national, and state-specific, privacy regulations?**

*What to look for in the answer:*

Privacy laws are quickly evolving as technology and access to personal data have proliferated. While these laws mandate how organizations can use the data, consumers also have increased expectations for the privacy and security of their data.

Within the U.S., your insurtech partner should be able to rep and warrant that the data they use is compliant with applicable state privacy laws, e.g., CCPA, and give demonstrable evidence that they follow state privacy regulations as well.

*Follow-up questions to consider include:*

- >> What monitoring do you have in place to ensure privacy and data protection policies and procedures are followed?
- >> When was the last time you updated your policies?
- >> When was the last time you changed or removed a method or procedure based on this monitoring?

## Question 5

### **What standards are you using to create your policies and procedures and govern the use of data and AI methods?**

*What to look for in the answer:*

Insurtechs leveraging AI should be adhering to the National Association of Insurance Commissioners (NAIC) Principles on AI while keeping close tabs on the changing landscape at both the national and state levels.

In addition, Insurtechs should adhere to the National Institute of Standards and Technology (NIST) framework, which has the goal of cultivating trust in AI technologies. It provides a framework for AI solution businesses on how to stay compliant and trustworthy.

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If you want to learn more about how Pinpoint is pioneering behavioral deep learning predictions to help insurers make equitable and profitable business decisions,

**reach out to our [team](#) for a demo.**

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