Could this Digital Tool transform the Ethics of Insurance?

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Insurance is not the only thing being transformed by artificial intelligence at the moment. Investment managers have been using AI in ways that could have implications for the future relationship between insurer and regulator.

It has emerged that a large investment management firm has been using an AI based form of voice analysis to test the confidence of the chief executives of the firms in which they have significant holdings. Called 'affect analysis', it's being used to detect any disconnects between what the chief executive is saying and the level of confidence with which they're saying it. The feedback could be used to pinpoint weaknesses around which further questions are raised, or to just automatically adjust their investment or research recommendation.

The idea behind this approach should not be something new to insurers. They've been using it for some time to analyse how claimants describe the circumstances of their loss, looking for indicators in their voice of a potential fraudster. I experienced such analysis last year while making a claim for a lightning strike on my home.

So what has this to do with the ethics of insurance then? Well, if an investment manager can analyse the voice of a senior executive in this way, why shouldn't the regulator do something similar with the same people? Instead of confidence in their business strategy, the regulator could ask senior executives to talk about their plans, activities and achievements relating to ethical issues like integrity and fairness.

Given that senior executives and key decision makers in UK insurance will soon be subject to new regulations that emphasise their individual accountability for ethical culture within their firms, this step would simply be taking an established practice within the sector and applying it to new ends. A lot will of course depend on the questions you ask. If these focus on belief and commitment, then scores could be quite high, but if they focus on actions and outcomes, then some people might struggle.

And remember that UK insurers needn't wait for the regulator on this. The Senior Managers and Certification Regime requires insurers to undertake their own integrity assessment of senior managers and key decision makers. Perhaps affect analysis could form part of that assessment? The results could then be used to configure personal performance plans and learning schedules.

I wrote two years ago about the rise of panoptic regulation, in which regulators access and analyse real time decision data in a continual stream from insurers. Putting artificial intelligence to use in this way would be a small but significant part of that wider development, providing regulators with critical insight into the on-going 'tone from the top' in a particular firm.

Perhaps the biggest signal the insurance market could take from this development would be that of a regulator becoming more sophisticated, prepared to get more under the skin of those they're dealing with. Just like insurers are, some might say, in their relationships with policyholders and claimants.

One word of warning. It is particularly important that the algorithms underlying this branch of artificial intelligence are properly trained. If that training has been carried out on the voices of the white, male executives who have largely dominated the board rooms of firms to date, then this sort of AI based analysis would turn into a barrier for the various diversity initiatives underway in the insurance sector at the moment