

Quick Answer: What Should Insurers Know About ChatGPT?

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Many large companies are planning to use ChatGPT to support customer service and analytics visions. Insurance CIOs must know the use cases, benefits and risks around it to guide their decisions about ChatGPT.

Quick Answer

What should insurers know about ChatGPT?

- Insurers are interested in ChatGPT, but they do not necessarily understand the technologies and use cases. Adoption is low, with few examples of its use so far. However, the broader phenomenon of large language model (LLM) holds significant long-term potential.
- There are many issues that will challenge the use of ChatGPT in insurance, including the need to validate output, lack of reproducibility, possible risk of algorithm discrimination and inaccurate outcomes.
- Due to these issues, the best use cases are around D&A and with internal employees such as marketing, competitive intelligence, claims or underwriting. ChatGPT has a place in an insurer's AI strategy, but it is more limited than what most people think today.

More Detail

Interest in ChatGPT to support a variety of use cases, ranging from text generation, internal Q&A systems, and reimagining enterprise search and language summarization, has grown quickly in the insurance industry. However, ChatGPT is overhyped and not well understood.

ChatGPT is a type of LLM application that uses a foundation model, GPT 4.0 (which was released in March 2023), to support NLP tasks and can generate content in the form of an easy-to-use user interface. Zurich and Helvetia are two of the few insurers to publicly discuss their use of ChatGPT. ¹

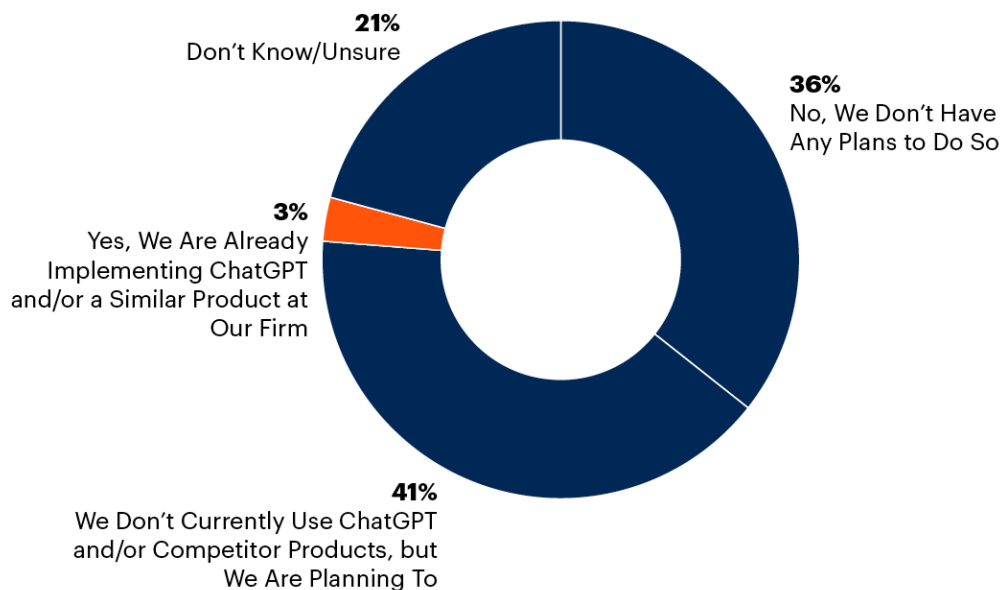
There Is Growing Interest in ChatGPT, but Adoption Is Low

AI adoption, itself, is already high in the insurance industry. The 2022 Gartner Data and Analytics for Digital Transformation Survey found that 43% of insurers have already invested in AI, and an additional 19% plan to invest by year-end 2023. ² While the topic of ChatGPT is new, already Google search engine data shows over 16,000 results for “ChatGPT insurance,” and Gartner client inquiries are growing.

The reality, however, is that use of ChatGPT in insurance is very low to date. The latest Gartner Financial Services Business Priority Tracker Survey asked insurance executives if they plan to use the technology. While they seem optimistic and are moving quickly toward using these kinds of tools, only 3% of executives report that they are currently using ChatGPT or a competitor product, but an additional 41% are planning to. In contrast, 36% of respondents said that they had no plans to use this technology at all (see Figure 1). ³ It’s important to note, however, that many insurers do not yet even know or understand what ChatGPT is.

Figure 1: ChatGPT (or Competitor Product) Usage in Insurance**ChatGPT (or Competitor Product) Usage in Insurance**

Percentage of Senior Insurance Executives



n = 39 Senior Insurance Executives

Q: Are you already using or planning to use ChatGPT or competitor products as part of your business in the coming months?

Source: Gartner Financial Services Business Priority Tracker, 1Q23

Note: Percentages may not equal 100 due to rounding.

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Issues Surrounding ChatGPT Will Limit Its Use

Insurers who do want to use ChatGPT or competitor products must recognize and understand the issues surrounding these technologies to use them effectively. The biggest issue is the accuracy of the outcomes, but we have also identified the following:

- Generative AI applications, such as ChatGPT, are a nascent but promising technology. They carry several risks such as hallucinations (making up facts); may carry bias; may not contain real-time, up-to-date information; and their legal risks aren't yet fully understood. Consuming ChatGPT via the cloud API instead of its user experience (UX) could reduce some of the data privacy risks, although other risks will still continue to persist.
- While generative AI applications built on AI foundation models such as GPT-4 benefit from massive pretraining, many organizations will fine tune them with enterprise data or seek domain-specific models, which can deliver better accuracy and lower hallucination rates.

- All the tasks ChatGPT performs require human supervision and validation, which would make it difficult to use for activities such as underwriting, where any slight change or unintended bias could reduce profitability.
- Lack of timeliness could result in outdated information being included in analyses without clearly indicating that the data is outdated. For example, if the cutoff date for the model ended in 2021, you would need to use prompt engineering with an LLM to address this issue.
- The tools likely would have limited knowledge of complex or unique industry terminology or concepts, which would result in usage limitations and invalid outputs.
- Transparency around using this technology could affect trust. People are concerned about “black box” tools — and what is being called algorithm discrimination — where models cannot be explained. In highly regulated industries, such as insurance, this is high risk.
- Employees may fear that technologies such as this will replace their jobs, even though most of the major use cases are around human augmentation, not replacement.
- Challenges with regulations may create issues around how it is used and around the loss of model transparency. LLMs operate as black-box models, which will require validating output to check accuracy and verify content. Regulations are just starting to emerge that may limit the use of ChatGP- type technologies long-term, and likely require other methods be implemented to maintain history of generated output for compliance reporting; for example, those by FINRA. ⁴

Use Cases Are Emerging for ChatGPT in Insurance, But Are Limited

Why are insurers enamored with ChatGPT? News outlets are spinning ChatGPT as the solution to solve many age-old industry problems, but that is unrealistic. Current-day ChatGPT does not solve these problems without prompt engineering or custom model development. Long-term, however, Gartner predicts that the main use cases of LLMs and generative AI will be centered around solving these problems:

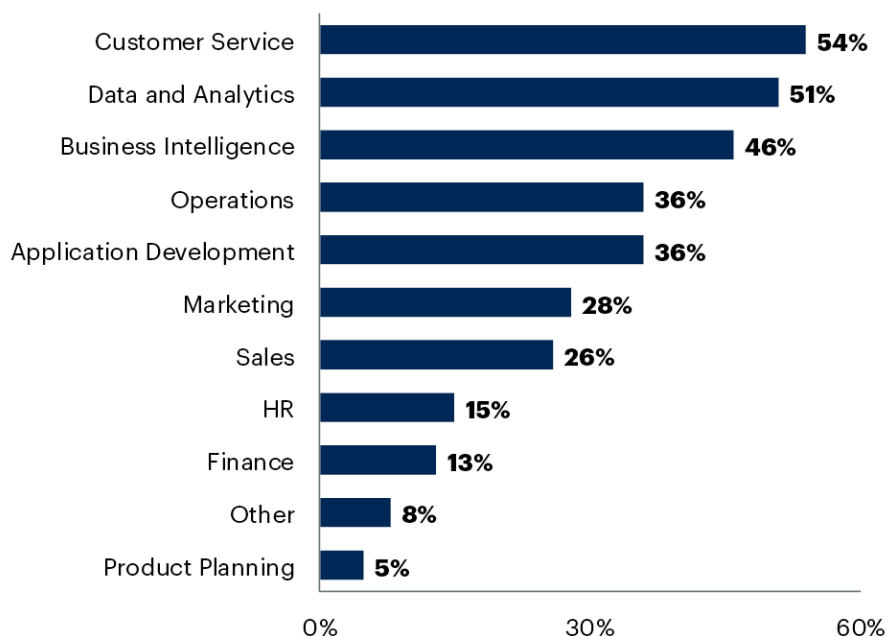
- There are lots of documents, and information is spread out in various systems.
- Text is typically underutilized and hard to retrieve.
- There are many human decision makers who need help improving productivity and outcome quality.

- There is a rising desire to offer new customer assistance capabilities, such as helping to educate them on what types of insurance that they need — in personal lines and small business lines of insurance.

The survey also found that insurers believe the main value of tools such as ChatGPT is around customer service, followed by data and analytics (D&A) and business intelligence. Fewer respondents saw its value in operations, marketing and sales (see Figure 2).

Figure 2: ChatGPT Value as Viewed by Senior Insurance Executives

ChatGPT Value as Viewed by Senior Insurance Executives
Percentage of Senior Insurance Executives



n = 39 Senior Insurance Executives

Q: Where do you think ChatGPT and/or similar products can provide the most value in your business? Select all that apply.

Source: Gartner Financial Services Business Priority Tracker, 1Q23

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However, this is short-sighted and not aligned with ChatGPT's real value. The biggest potentials for using ChatGPT and similar technologies are as support tools and with internal uses over customer-facing uses.

Due to low output accuracy and the need for humans to review ChatGPT answers, these are not viable for the most part today, and are not recommended to put in front of customers ... yet.

The insurance industry has many roles that need D&A for decision support — including actuaries, marketing, underwriting, data science and competitive intelligence. This is where the power of ChatGPT lies. Using ChatGPT to help summarize large documents and content is the power today. ⁵ Example tasks where ChatGPT can be applied:

- Help underwriters by analyzing multiple sources and documents that they can review and validate.
- Verify coverage and policy terms in claims handling, especially for complex product lines such as commercial P&C.
- Increase claims professionals' productivity by supporting content discovery, which can generate output for claims analysis. This may include summarizing weather or catastrophic events to help with claims responses.
- Provide information to agents and employees on products or companies to support sales and service.
- Support marketing for carriers or agents, including social media content production. ⁶

There are far fewer opportunities to use ChatGPT with customers, especially until private ChatGPT (prompt engineering or custom models) is possible that would leverage internal assets. Therefore, we don't recommend it as a customer-facing chatbot, for example — at least not yet. Opportunities around these kinds of use cases are primarily around basic insurance education today — mostly because all content generated must be validated for accuracy.

In light of the use cases and issues surrounding ChatGPT, Gartner recommends that insurance CIOs move forward with using this solution to innovate around AI, but be careful to ensure the integrity of the output, using the right use case and security around internal intellectual property (IP). They should focus on internal use, with heavy validation and oversight over customer-facing use cases.

As solutions mature, and as price and accessibility that prompt engineering and custom solutions are developed, new use cases are likely to emerge. ⁷ Today, best practices include empowering employees, especially in situations where they can validate the outcome, such as claims or marketing. Finally, insurance CIOs should work with the risk management and compliance teams to mitigate any regulatory risks. ⁸

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[Hype Cycle for Artificial Intelligence, 2022](#)

Evidence

¹ [Helvetia to Use ChatGPT for New Customer Service](#), Helvetia.

² **2022 Gartner Data and Analytics for Digital Transformation Survey.** This survey sought to provide industry-level insight and to find out how organizations use data and analytics and how they relate to digital success. The research was conducted online from 2 September through 13 October 2022. In total, 311 respondents were interviewed across six industries — banking, insurance, healthcare, manufacturing, telecom and transportation. Respondents were required to be primary decision makers or have a high level of influence on their organizations' or business units' data and analytics investments. Disclaimer: The results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

³ **Gartner Financial Services Business Priority Tracker Survey, 1Q23.** This quarterly survey aims to understand the most pressing priorities of financial services business and technology leaders in the short term, as well as their views on the importance and impact of future economic and social trends. In 1Q23, questions also included understanding organizations' usage of ChatGPT or similar products. The online survey was fielded from 9 February through 27 February 2023, and it includes responses from 39 senior-level insurance executives. Results do not represent global findings or the market as a whole, but reflect the sentiments of the respondents surveyed.

⁴ [EU Lawmakers Call for a New Set of Rules for A.I. Tools Such as ChatGPT](#), CNBC.

⁵ [Quick Answer: What Is ChatGPT?](#)

⁶ [Agency Revolution Leverages Mobile AI Engine and ChatGPT to Launch Social Media App for the Insurance Industry](#), Cision PR Newswire.

⁷ [Gartner Addresses Frequently Asked Questions on ChatGPT](#)

⁸ [Board Briefing: Understanding ChatGPT, Other Large Language Models and Their Risks](#)

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