

AI will pave the way for \$50 billion additional business in specialized insurance

Article

The opportunity: Over the next five years, the specialized insurance market is expected to grow by around \$50 billion—and it's AI that's helping to make that possible.

How we got here: Specialized insurance requires an understanding of a diverse set of clients' specific needs and the risks involved in insuring them.

- That's where AI comes in—it has enabled insurers to analyze large amounts of data more efficiently so they can offer tailored insurance products.
- AI also helps insurers understand their customers' preferences and behaviors on a granular level, leading to products better suited to customers' unique needs.
- As new customer risks and specialty insurance opportunities emerge, AI keeps insurers agile.

Cyber crimes prompt new insurance products: AI has changed the cyberattack game, allowing criminals to target more people and companies with tailored campaigns.

- The global cost of high-profile cyber attacks is expected to grow from \$8 trillion in 2023 to \$23.84 trillion by 2027.

Customers seeking protection against these increased costs helped take this specialized cybersecurity insurance into the mainstream.

- And AI's involved there, too, helping insurers accurately score and assess cyber risks, understand their customer's cybersecurity abilities, and process applications.
- A recent survey by Recast Software and the Ponemon Institute showed that **67% of IT professionals are “satisfied” or “extremely satisfied” with their cybersecurity insurance**, pointing to insurers meeting customer needs with the right products.

AI also brings new risks: With these risks comes an opportunity for—you guessed it—specialized insurance.

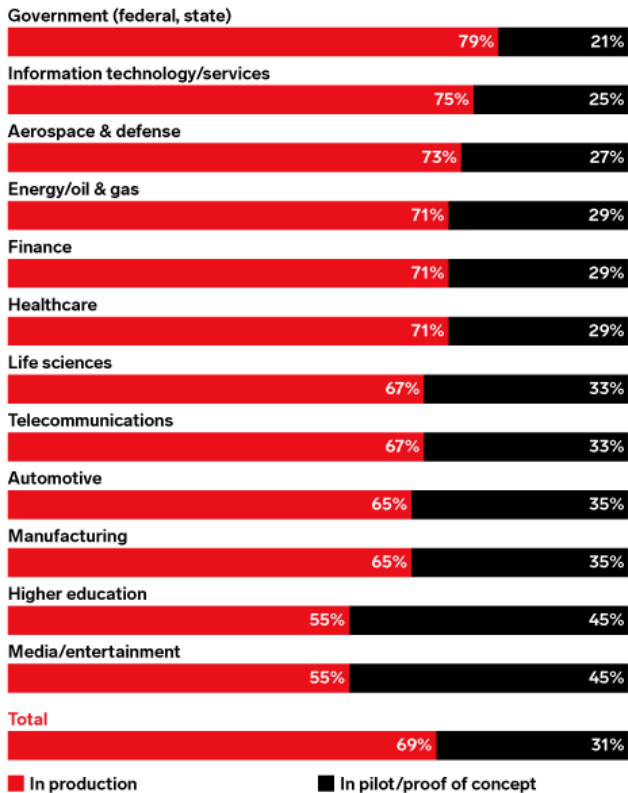
- Some insurers now offer AI liability coverage, which protects customers from AI-systems- or software-related damages. That includes property damage, personal injury, privacy issues, and more. Third parties involved with AI systems further complicate risks.
- Again, insurers can utilize AI to unravel that complexity and assess the risks involved in insuring clients that have integrated this technology—and to price their coverage accordingly.

What does this mean for insurers? Specialty insurance companies operate in niche markets, maintaining relationships with specific industries. But larger insurers also offer certain types of specialized insurance.

- AI empowers traditional insurers to efficiently assess new customer risks, enabling them to expand into specialized areas and capitalize on demand.

Stage of AI/ML Rollout at AI/ML Decision-Makers' Companies Worldwide, by Industry, Q2 2023

% of respondents



Note: n=1,516 at companies with AI/machine learning (ML) deployed in pilots and production
 Source: S&P Global Market Intelligence, "2023 Global Trends in AI Report" commissioned by WEKA, Aug 16, 2023

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