



Artificial Intelligence and Your Insurer

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STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Recent Strategic Asset Alliance Survey on AI



50%



Artificial Intelligence and Your Insurer



- **What is Artificial Intelligence?**
- **Why is AI Important?**
- **How Will AI Change the Economy?**
- **How Will AI Impact Investment Strategy?**
- **What Can You Do To Prepare?**





WHAT IS ARTIFICIAL INTELLIGENCE?



An Example: War Games (1983)



- <https://youtu.be/s93KC4AGKnY?t=144>



Artificial Intelligence “Buzz” Words



- Cloud Computing
- Big Data
- Algorithm
- Python
- Data Warehouse



Artificial Intelligence “Buzz” Words



- Machine Learning (ML)
- Deep Learning
- Artificial Neural Network
- Data Mining
- Predictive Analytics
 - Data Mining + Statistics + ML + Modeling = AI to make predictions
- Natural Language Processing (NLP)





Why is Artificial Intelligence Important?



- Intelligence defines Humans
- Machine = Superior to Humans?
- Different kinds of Knowledge:
 - Rote
 - Understanding
- Replace or Augment



Why is Artificial Intelligence Important?



- Replace
 - Siri, Alexa, Hey Google
 - Product Construction – 3D Printing
 - Surgery – AR Instruction

- Augment
 - Voice Mail Trees with NLP
 - Partial Autonomous Cars and Trucks
 - Package Routing





HOW WILL AI CHANGE THE ECONOMY?



How Will AI Change the Economy? – Macro View



- Augments and automates decisions
 - Increases productivity.

- Impact on Labor:
 - Displacement
 - Low, Middle, High of the income distribution

 - Augmentation

 - Capital Deepening

 - Reinstatement



How Will AI Change the Economy? – Macro View



- Automation without Capital
- AI industry adoption
- Invention in the methods of invention



How Will AI Change the Economy? – Micro View



- ML algorithms: ‘black boxes’

- Unintended consequences

- AI impacts
 - More complex
 - Longer to appear

- Prediction machines
 - Increase the amount of decisions we are able to make.

 - Increase the amount of decisions we must make as participants in the economy and as a society.





HOW WILL AI IMPACT INVESTMENT STRATEGY?



How Will AI Impact Investment Strategy?



- As a prediction machine, but complex inputs
 - Financial
 - Economic
 - Market
 - Expectational
 - Socio-Political
 - These inputs, and more, are constantly changing
 - Transwarp beaming (Star Trek)
 - <https://youtu.be/jxzYTDX8blg>



How Will AI Impact Investment Strategy?



- Billions of data points
- Useful predictions probably have a decay factor
- AI applicability: time horizons, asset classes, etc.



How Will AI Impact Investment Strategy



- Adjunct to the investment process, as noted by our other speakers
 - Credit Analysis
 - Using Big Data (alternative data) to predict sales, earnings, etc.
 - Earnings Call Interpretation
 - Sifting through Data
 - Any mechanical part of the process



How Will AI Impact Investment Strategy



- Caveat emptor
 - Some managers or funds may say they use AI to choose investments
 - Make certain you understand their process completely
 - Doesn't always work
 - Don't be shy asking questions





WHAT CAN YOU DO TO PREPARE?



What Can You Do To Prepare?



- Learn more about AI
 - An increasing factor
 - Financial Data Professional certification from the CAIA Association
 - Many other free sources of AI learning



What Can You Do To Prepare?



- Ask your investment manager
 - How are you using AI in your investment process?
 - Why? Why Not?
 - How effective has it been?
 - What other areas of use are you considering?
 - How will implementation of AI impact our portfolio?
 - Who is responsible for the AI effort at your firm? What is their experience level?
Can I speak with them to get a better idea of the use of AI in your firm?

