

FinTech Talks

M A G A Z I N E

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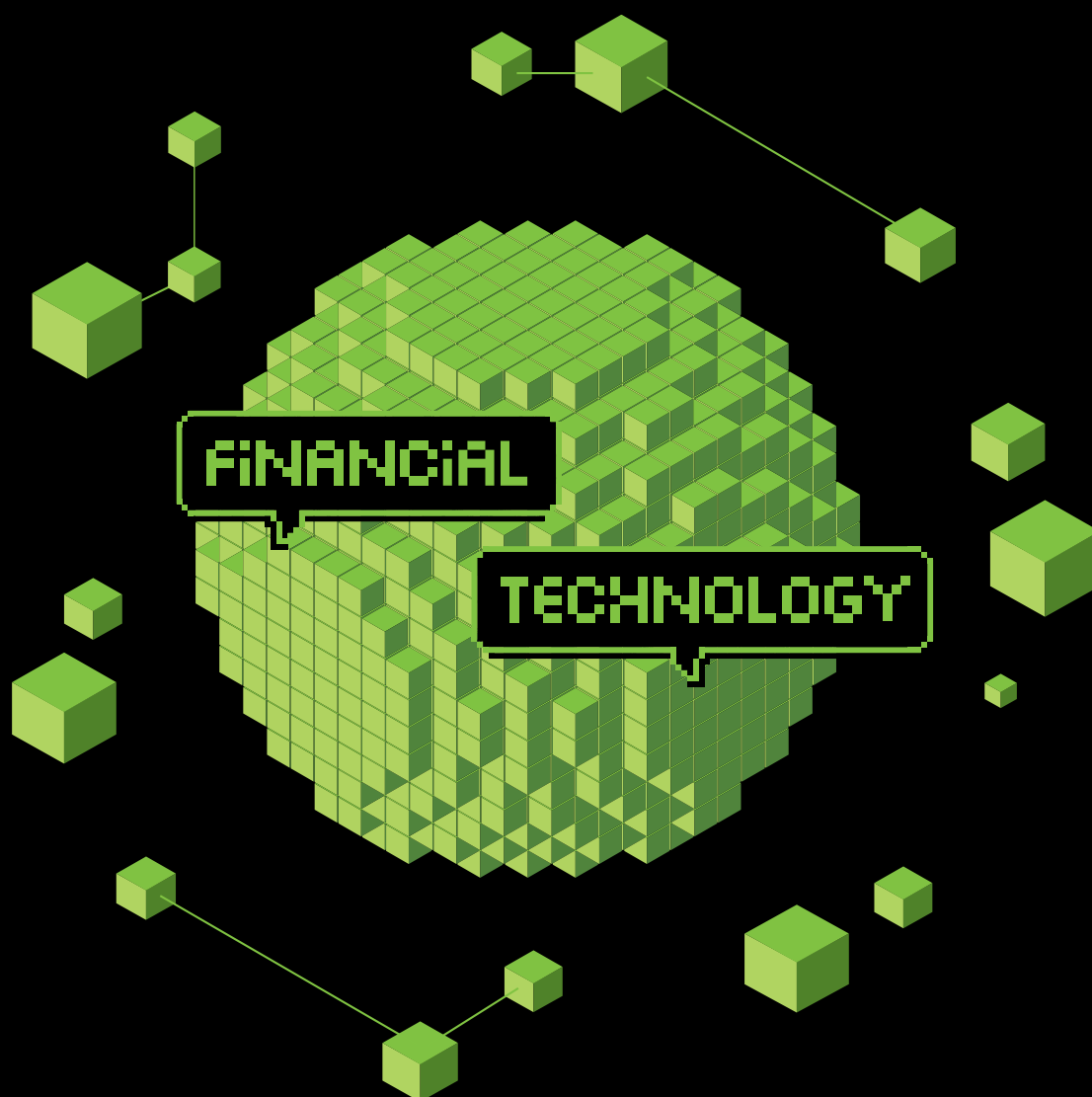
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04 FinTech Stories

“Put a Tiger in Double Broth”

Reaching new heights with AI in Insurance

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It was the end of the sixties, and visionary comics guru Bruno Bozzetto used this joke/song in one of his most famous comic movies. The title of this song makes fun of some of the most prominent claims of Italian commercials putting together “Put a Tiger In your engine” and “The Taste of the Double Broth”. As to say, be afraid of “unreachable promises”. Forty years later, for what concerns the artificial intelligence scenario, the “Tiger in the double broth” is no longer something to be sceptical of, as Artificial Intelligence can sincerely help you accomplish hyperbolic achievements. Now it is undoubtedly possible.

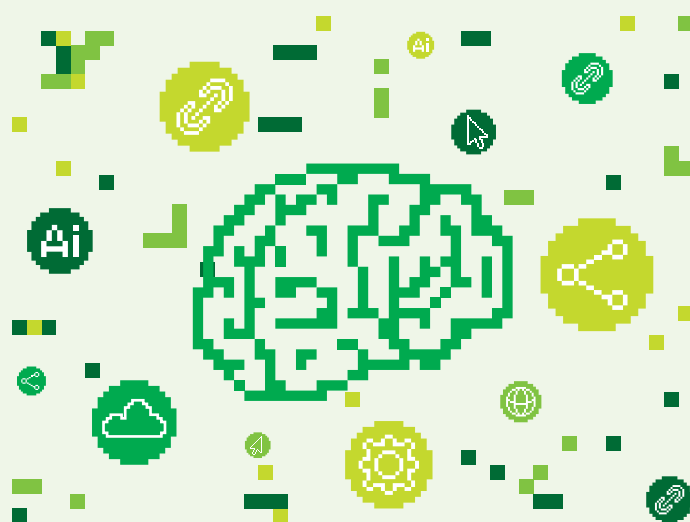
After hitting the financial and payment services, the AI tidal wave, is now reaching the shores of the insurance industry. AI is now shaping both established actors and incumbents.

Leveraging AI-fueled applications have a multi-faceted impact. The first impact is in operational efficiency due to the capability of AI to fuel automation much further than the mere usage of robotic automation, optimising and reducing costs. But AI it's not only about efficiency. There are also specific scenarios where AI leads to an enlarged audience for automatic fast-track claim adjustment procedure or better customer micro-segmentation with subsequent ad hoc actions suggesting how to retain a customer or up/down-sell it.

Today the partnership between Deloitte and Entangled provides insurance companies with more than one option to start putting a real “Tiger in their Double Broth”- as described in the following three examples on these pages.

01 BRINGING INTELLIGENT DOCUMENT AUTOMATION TO THE NEXT LEVEL

Claims management is the moment of truth of an insurance company to its client. In addition that's a powerful lever to differentiate the proposition, improving the experience and speeding up the process. Deloitte designed a touchless digital claims journey for insurance companies to make a quantum jump. At the core of the engine, that gives access to best-of-breed technologies integrated to offer a seamless experience, is Entangled's Kapto.



Kapto aims to fully automate the end-to-end business processes rooted in document understanding like categorisation, matching concepts, and extracting and organising data to the deepest level. Coherently with the “touchless claim” concept by Deloitte, Kapto aims to reach a point where no human intervention is ever required, finally curbing human labour from any process involving paperwork. Achieving this goal with Kapto does not require carrying on complex projects or tedious preparation. Kapto leverages AI models that are already “ready to be used” or can be trained and put to work using a few train examples. For those reasons, Kapto is exceptionally pliable, flexible, and ultimately very easy to adopt.

Here it is the “Tiger” that Kapto is bringing in. The three main pillars:

DOCUMENT FLOW CATEGORIZATION: Kapto can split and reshuffle document into “packages” upon segment classification. For example, it can recognize within a flow of pages sent by the customer, agent, or intermediary in a PDF file related to the claim adjustment process: car repairing invoices, request forms, ID cards, Hospital discharge letters, and ER reports, among others. It's a mail room, or more generically, a process initiator, in any case, a handy automation tool.

DATA EXTRACTION: OCR is performing data extraction and humans too. Nevertheless, no one would say that a human and an optical character recognition software perform the same task. OCR is doing a great job in dumbly converting images into text, but it does not understand what he is “reading”.

CHARACTERISTICS

- Sort-out and identify (categorize)
- Sparse to actionable information conversion
- Match Abstract concept

SKILLS

- Rapid and continuous training
- Complete no-code integration / down-ward
- Human in the middle

FEATURES

- Resolve Input standardization
- External check during AI process
- Allow Internal or external verification

It just recognizes letters and words. Well, Kapto is proud to mimic the human way of reading a document achieving or exceeding, in the long run, the human accuracy when performing thoughtful data extraction. This capability makes it possible to automate many tasks in the insurance industry entirely, and not just in the Claims domain. Just think of automating the cash-in process through broker financial

reports or the work of the legal departments or making the transfer of pension funds a completely automated process. Borrowing a concept from the automotive industry, using Kapto is like having autonomous drive capabilities within your operations, enhanced with the full control that Deloitte touchless digital claims journey provides.

CONCEPT RECOGNITION: Concept recognition is yet another cognitive capability that is no more solely human. Kapto can recognize concepts and topics within a complex document frame just by exposing its AI engine to some meaningful cases. For example, we can train Kapto to understand who won and lost by reading a court ruling or if a witness report is pro one of the parties or it's neutral.

Why Deloitte chose KAPTO for the touchless claims journey? Well, for four very good reasons:

CONTINUOUS TRAINING: KAPTO pre-trained engine is continuously learning. Instead of creating specific models for specific domains, Kapto is “wired” with an ecosystem of AI models that compete and collaborate to capture different cognitive aspects of the documents and aggregate them to obtain a holistic view. Case specific training can be carried out quickly with only a few examples. KAPTO AI Engine will operate autonomously without human intervention providing complete end-to-end automation. In addition, if any human intervention is solicited, human feedback is used as input for further training, in a continuous loop mode. Continuous training and competing AI models are the little secrets behind the performances KAPTO achieves.

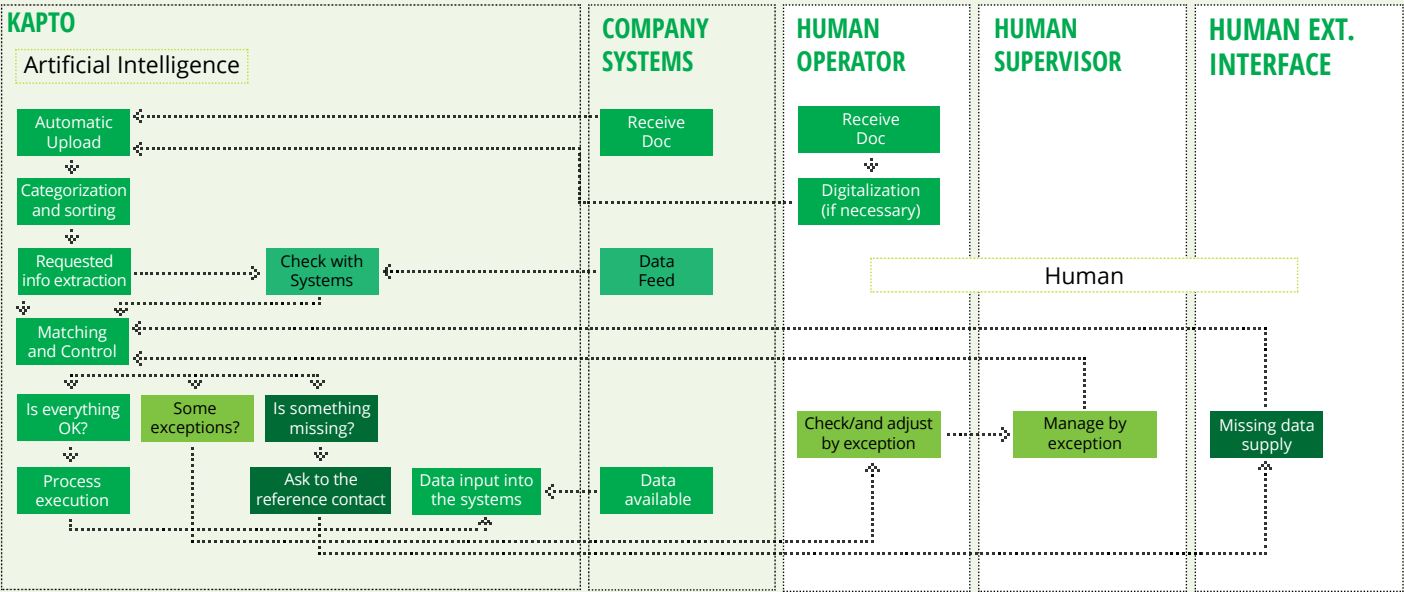
INTERFACE WITH EXTERNAL SYSTEMS: KAPTO integrates into your business process, exploiting its ability to connect with all market-leading enterprise solutions. From the top-of-the-range ERP solutions like SAP and Oracle NetSuite to advanced RPA solutions like UI Path, Automation Anywhere to other corporate applications and data management solutions like Snowflake and data lakes.

KAPTO PROCESS AUGMENTATION: Kapto AI is powerful. However, as for anyone - humans too - power without context is intrinsically flawed. How often a junior colleague, that lacks context and experience, doubts about a piece of specific information within a claims notification. Well, without context is very hard to say for anyone and AI too. For those motivations, KAPTO can seamlessly integrate customer master data in the cognitive process to clarify the context and integrate any other information needed to disambiguate information during the cognitive process. In addition, it can perform API calls to external systems without needing to ingest any information, to have both disambiguation and early verification of extracted data. This capability is instrumental in the cases where the base of knowledge has high background noise, as in the handwritten documents as the “Constatazione Amichevole di Incidente”. KAPTO, as an example, can interface with the API of the public registry to validate car plates and certify the alignment of recognized pieces of information as the Insurance company and the policy number.

A HUMAN TOUCH IN THE MIDDLE: we mentioned the importance of keeping the process under control. Well, KAPTO does not have a Terminator-style attitude toward humans. On the contrary, it loves the human touch. Human intervention within Kapto's workflow is frictionless. Kapto can regulate human intervention through the definition of specific rules that can be customized entirely, both with the self-assessment

of the accuracy of the cognitive task or because detecting the lack of data mandatory to be extracted. If Kapto lacks confidence in its understanding, then the input document is placed in a Verification state, and Kapto awaits feedback/correction from a "human expert" through a specific, easy-to-use user interface. KAPTO has the utmost consideration of Human opinion as any bit of human information is used by the AI to improve itself.

When Kapto Comes, it achieves radical savings!



02 CLAIMS AUTOMATION

Every insurance company nowadays has a fast-track liquidation process. Usually, the fast-tracking audience is delimited using deterministic rules to balance the risk of improper settlement against the benefits of avoiding the claim adjustment specialist working time (as well as a legal dispute) and speeding up the claim reimbursement. However, insurance companies have surely counted how many uncomplicated claims outside the fast-track liquidation process are paid at the expertise value if any, maybe being surprised to learn that this number is

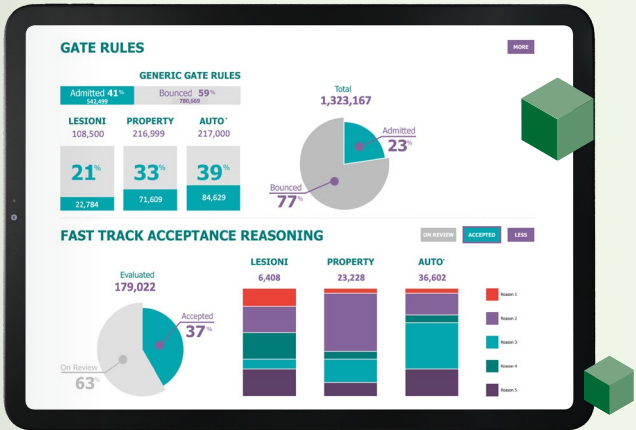
2 or 3 times higher than fast-tracked claims.

Then, what about an AI-based application that understands, within a framework of business-pointed restrictions, which claim can be successfully adjusted at the expertise value without involving any claim adjuster? That is precisely how Entangled's Claim Automation solution works within Deloitte's touchless claim journey. It can save thousands of hours for claim adjusters' time and improve at the same time the adjustment speed. However, power without control is not enough. For this reason, we paired the AI working framework with a risk model that determines the money at stake based on the AI's actual accuracy and shows the maximum risk exposure and the substantial minimal expected savings at any moment. This achievement has been possible through:

- **The use of deterministic and dynamic rules** aimed at identifying claims that have indeed to be excluded (high fraud indicators, high profile claims involving massive money claims and so forth)
- **AI Identification of claims** which, due to their characteristics, lend themselves to being settled at the appraisal value with a high probability of acceptance by the beneficiary
- **Near real-time scoring processing** (<5 minutes) that automates the investigation phase and then proceed with the adjustment without the intervention of the claim adjusting office

The benefits are double-sided:

1. The dramatic reduction of the "total yearly adjuster worked hours" and a double-digit % increase in the speed and efficiency of the overall settlement process.
2. The minimization of the "at risk settlement" values through a risk value model.



Deloitte and Entangled make digital claims management real with a significant boost to the performance of the Insurance company while enabling a differentiating experience for both the Client and the Agent/intermediary.

03 CUSTOMER INTELLIGENCE HUB (IN OTHER WORDS... REDUCE CHURN THOUGH BIG DATA AND AI)

The churn percentage in the Insurance industry has raised to 25%+ in the last years, generating higher pressure on companies' performance. Churn management is now one of the critical top management priorities. It has become evident that it is necessary to focus on "targeted individual" retention strategies with "case by case" management as it already happens in other industries such as finance and payment. Traditional approaches involving mono-dimensional customer analysis, as well as borrowing scores from other financial industries (i.e. credit), are not remarkably efficient and effective. So here it comes, the Tiger at the rescue.

The AI-based solution predicts continuously:

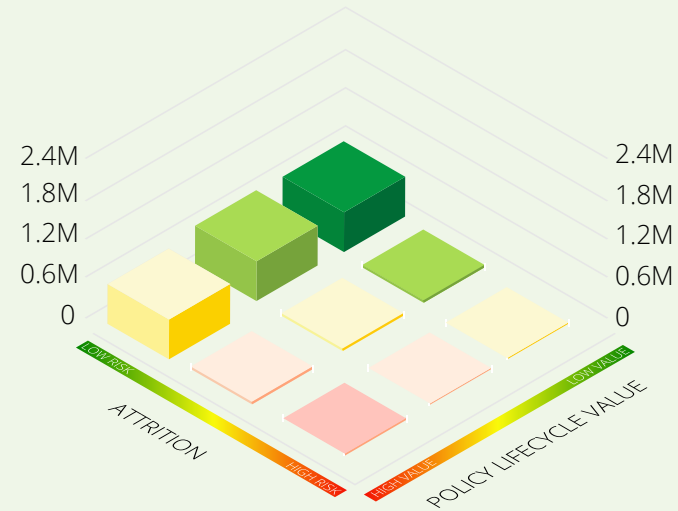
- **Evaluates** the chances of churn well in advance (4-6 months). The forecasts are updated as the deadline approaches, especially in case of events (claim)
- **Creates** a multi-segmentation of renewing policies, also the policy lifetime value calculation is performed (again with the help of AI models) as well as the customer life time value and, should the data available at the insurance company allow, the client's network life time value
- **Suggests** personalized retention actions for each policy and customer

For each renewal, in each segment, the most probable causes of churn are highlighted and, in a configurable way, the suggested actions to retain the customer.

The tool also provides indications for the possible thinning of the portfolio (negative lifetime value prediction or loss ratio above threshold, and much more). Furthermore, through a complete view of the customer (and the value of his network), it is possible to make decisions on a single basis about retention actions by modifying the suggested activities based on the individual policy.

Overall, this AI... an entirely navigating user-friendly data visualization dashboard is available, allowing the decision-maker to drill down from total to a single individual and to cope with any critical situation.

Last but not least, the algorithm to calculate the life time value is highly configurable and can be adjusted to consider the IFRS17 requirements that in less than a year will become effective.



Deloitte and Entangled support insurance companies to marshal their inside-out transformation, business led and tech enabled. These solutions are not "slideware", or customized projects challenging to replicate. On the contrary, what we described here are real and industrialized approaches/products ready to be used in your insurance company.

The Tiger is ready to go. The "Tiger" is not more a "concept" to stimulate your fantasy and your demand. We have the "Tiger". Now it's your turn: take out the "Double Broth".

If you'd like to know more, please visit the website www.kapto.ai to deep dive into the possibility of AI for the Insurance sector.