

**Media Release**  
**Actuarial Society of South Africa**  
**21 May 2019**

### **Artificial Intelligence (AI) to simplify processes, reduce costs in financial services**

Artificial Intelligence (AI) has the ability to significantly enhance products, simplify processes and reduce costs in financial services, according to Ronald Richman, a South African actuary with a special interest in machine learning. He believes that investors and policyholders will increasingly choose financial products depending on the fintech savvy of the product providers.

Richman describes AI as the process of teaching computers to complete tasks previously the exclusive domain of humans, by feeding them large volumes of data. "This approach is commonly referred to as machine learning and the benefit is that computers can complete data based tasks much faster and with potentially greater accuracy than humans," he adds.

According to Richman, data is at the core of many financial services products. "The more relevant data is collected accurately and processed through AI techniques, the more this industry can be transformed for the benefit of consumers. Hopefully, as these techniques mature, innovative products will lead to consumers being provided with more comprehensive cover at competitive prices."

While South African consumers still tend to associate the term AI with science fiction, Richman points out that AI is already part of our everyday lives in the form of predictive text, image recognition and natural language processing.

Image recognition, for example, is no longer just a "gimmick application", says Richman. A number of innovative overseas life insurers have already launched policy application processes that required the applicant to upload only a selfie (a photograph of yourself). Through the process of AI, an estimate of the individual's age, gender and body mass index (BMI) is generated to determine the appropriate premium for the cover requested.

"Increasingly, we will see fintech insurers such as the US-based Lemonade enter the market, using AI to issue policies quickly and to pay claims within minutes. The benefit to consumers is a quick and simple process that does not require endless paperwork. Already, we see South African start-ups bringing these products to market locally."

According to Richman, AI is also being rolled out by South African asset managers to improve stock picking. The aim is to enhance returns at a much lower cost. In February this year, one of the country's largest investment houses launched a collective investment scheme (CIS) that is managed by AI to achieve consistency in returns by removing human emotions from investment decisions.

"As actuaries we spend much of our time sifting through huge packs of data to look for trends that will help us come up with meaningful analysis and predictions. The advent of connected consumer devices fitted with sensory technology such as smart phones,

fitness trackers, telematics devices and satellite navigation systems has resulted in an explosion of big data available for analysis. In order to extract maximum value from this large volume of data, we need to deploy AI technology.”

He points out that AI will by no means make the work done by professionals like actuaries, accountant and data analysts redundant since results produced by AI models still require human interpretation, particularly to ensure that the models are being used in an ethical manner, consistent with regulatory requirements and expectations.

“I do believe, however, that these professionals need to get more involved in developing machine learning since they are the ones who have to make sense of the data collected. Until quite recently, statistical models in insurance were the exclusive domain of the actuarial profession. Now advances in the field of AI and machine learning are being driven by computer scientists and there are learnings from those fields for actuaries and other professionals.”

## **Ends**

### **To set up interviews please contact:**

Lucienne Fild  
Independent Communications Consultant  
082 567 1533  
lucienne@fild.co

### **Issued on behalf of:**

The Actuarial Society of South Africa

*The Actuarial Society of South Africa is the professional organisation for actuaries and actuarial students in South Africa. The vision of the Actuarial Society is an actuarial profession of substance and stature, serving, and valued by, our communities as a primary source of authoritative advice and thought leadership in the understanding, modelling and management of financial and other measurable risks.*