COMMERCIAL INSURANCE

Underwriting Priorities 2020

Featuring insights from insurance industry leaders, analysts and InsurTechs including:

- AF Group
- Celent
- Insurity
- Majesco
- Marsh Canada
- Novarica
- OneShield Software
- Paradiso Insurance
- reThought Insurance
- Slice Labs
- Strategy Meets Action
- UiPath
- Zurich North America

What's Inside

Foreword: The Rise of the Digitally-Enabled Underwriter

Ron Glozman, CEO and Founder, Chisel AI

While commercial insurance carriers and brokers are adopting digital technologies at a rapid pace, age-old manual underwriting processes continue to cause bottlenecks and friction that can be felt across the insurance value chain. Why and how does underwriting need to change, and which technologies and digital transformation initiatives should carriers and brokers focus on in the coming year to better manage risk and make their underwriting processes more efficient, profitable, and responsive to customers?

This is the question we asked a who's who of leading insurance carriers, brokers, agents, analysts, and InsurTechs to answer. Our goal was to survey a cross section of the commercial insurance industry to learn how digital technology is transforming traditional underwriting processes.

Faced with an array of competitive and market pressures including rising customer expectations, new incumbents, increasingly complex risks, and a looming talent crisis as seasoned underwriters retire, the insurance industry can no longer afford to let manual underwriting processes hinder customer responsiveness and growth.

Ron Glozman is passionate about revolutionizing artificial intelligence to help people work smart and enrich their lives. A recognized AI thought leader and frequent speaker at insurance industry conferences, Ron was named an "Insurance Innovator to Watch" by Digital Insurance.

@RonGlozman

According to Accenture[1], on average only 25% of an underwriter's day is spent on selling and broker engagement, while more than 50% is spent on core processing. Imagine if underwriters could spend more time with their customers and focus on delivering a better customer experience instead of being bogged down by cumbersome, error-prone manual processes, and rekeying data? What if you could drive more revenue by increasing your underwriting capacity by 50% without adding staff?

With the emergence of technologies like artificial intelligence, commercial insurance carriers and brokers have an incredible opportunity to transform underwriting from a cost center to a strategic sales and profit driver.

But with so many InsurTech solutions competing for your attention and dollars, what technologies hold the most promise for enhancing underwriting efficiency, and where are carriers and brokers focusing their transformation efforts?

In this eBook, you'll hear expert insights on how artificial intelligence, robotic process automation, machine learning, and predictive analytics are reinventing the underwriting function and helping insurance companies achieve the responsiveness and agility their customers now demand.

So, let's get into it!

"If the last few years were marked by pilots, POCs, and 'innovation theater,' 2020 is the year AI gets real and the operational benefits become clear."

How InsurTech is Reshaping the Insurance Industry

Abel Travis, Vice President, Fundamental Underwriters, AF Group

Until a few years ago, the insurance industry has been an industry unspoiled by innovation. Within the last few years, we've seen startups emerge that are challenging all parts of the insurance value chain. To the industry's delight, not all startups are hoping to disrupt, but instead enable the insurance value chain. General words of wisdom are, instead of resisting these newcomers, embrace them. You may just be surprised at how they can help transform parts of your business.

The changing customer expectation is a core focus of InsurTech companies, which are startups merging business model and technology enablement to drive insurance innovation. While many carriers aspire to drive in-house innovation, partnering with startups that enable insurance allows those carriers to leverage talent and capabilities outside of their core discipline. While just a few years ago, there were many InsurTechs that had technologies looking for a business model, that notion has changed, birthing an InsurTech discipline which has matured. InsurTechs are ready to enable carriers, agents and vendors alike to reshape the insurance industry. There are several key areas in which InsurTech is helping to transform the insurance industry that will have positive impacts for years to come.

Abel Travis has deep subject matter expertise in the insurance industry, with over 15 years of experience. Travis is an expert in innovation, designing new products and business models to drive growth and transformation. No stranger to the start-up world, Travis also built and sold an insurance technology company before the "InsurTech" phenomenon.

@Neak274

Improve Underwriting

Not too far in the distant past, underwriting maintained a very traditional feel, with desk underwriters relying on data collected from the web, through manual processes or agents, to begin the renewal process. What would happen if policyholder operations changed during the policy period? Typically, an underwriter would wait for endorsements or the renewal period before reflecting that change on the policy. InsurTechs are changing that landscape. Risks are not static and can change during the policy term. Companies like RISKpossible have developed continuous underwriting platforms designed to monitor risks with up to the minute data and analytics, thereby identifying operational changes during the policy term. For underwriters, this information can help inform customers of the hazards associated with the enhanced operations, and potentially ensure better safety of policyholder employees.

Data and Analytics

There are many ways in which data is being leveraged across the insurance value chain, that InsurTechs are hoping to innovate. Companies like MakuSafe have created wearable devices intended to monitor safety conditions such as noise, temperature, and movements that may lead to accidents on the factory floor. While the wearable hardware device has value on its own resonance, the real power is not only in the data collected, but how it's used to improve workplace safety. If within the data, trends are identified that have led to loss and injury, carriers and their agency partners can communicate these trends to policyholders, thereby reducing overall potential injury to employees. Data and analytics also have the potential to create efficiencies in the underwriting process.

> "Businesses purchase more than $350 billion in insurance premiums annually, but the workflow is wholly paper-based, and has been this way for decades."

"Risks are not static and can change during the policy term."

Agency Enablement

InsurTechs are not only working to enable the carrier value stream but are also hoping to improve agency processes and efficiencies. Businesses purchase more than $350 billion in insurance premiums annually, but the workflow is wholly paper-based, and has been this way for decades. Some InsurTechs are working to transform that narrative through enabling data gathering, which is an essential part of the independent agency process. Streamlining data gathering during the application process is a back-office function that takes time, especially for agents that work across multiple carriers. InsurTechs have worked to create a single point of entry, which in turn saves time and resources within the agency plant. Innovating the application process lends itself to future efficiencies once automated data connectivity to carriers have been established, which in turn will make it easier for carriers to obtain the necessary data to process a quote.

Embrace Change

In the end, while there are many elements of the value chain being addressed by the advent of InsurTech, carriers should embrace the competition driven by those vying to influence industry innovation. If carriers are hoping to keep up with the rapid change in customer expectations, they should engage those startups that are working to enable the industry. Incumbents can focus their resources and attention with these organizations, which may lead to an enhanced customer experience. Industry evolution will continue, and those that embrace instead of resist evolution will find themselves ahead of the pack.

(This article was originally written for Insurance CIO Outlook and can be found in the November 2019 issue.)

2020: The Year of Separation

Mike Fitzgerald, Senior Analyst, Celent

Two kinds of actions are imperative for insurers and brokers to better manage risk and make the underwriting process more efficient, profitable, and responsive to customers in 2020. The first type applies to all participants. The second category depends on the type of business they write.

First, all members of the insurance value chain must complete the digitization of their information. Sadly, for some underwriters, this means no more paper! Digitization is a priority because the speed, ease of use, and information benefits of digital cannot be realized until information can be captured, stored, and reused at zero marginal cost. The past decade has seen a slow movement toward this goal, but, in the past three years, some insurers have moved aggressively toward 100% digital capture. These firms are better positioned than their competitors to provide quicker and better decisions with no (or minimal) hassle to their customers. As customer expectations continue to increase, insurers without such capabilities will lose business.

Mike Fitzgerald, CPCU, MBA, PMP brings extensive industry experience to the analyst role. Prior to joining Celent, he was vice president of enterprise underwriting solutions at Zurich North America, where he led the evaluation of technology alternatives to support a new underwriting product development process. Mike's research focuses on innovation, emerging technologies (blockchain, artificial intelligence), billing, business process and operations, social media, and distribution management.

@mikefitz01

The second group of actions differ based on the type of business that an insurer writes (or a broker services). If a book of business is mainly guaranteed cost products (most often personal lines or small commercial policies), the emphasis in 2020 should be to use digital technology to process and service business at lower cost levels while at the same time, delivering higher service levels than their competitors. Numerous tools are available to assist with this challenge. For example, artificial intelligence can review submissions, identify missing information, and work with process robots to obtain the required data. Other solutions use machine learning to review digitized claims records to inform automated pricing decisions.

If an insurer/broker works with loss sensitive products, digital tools should target the identification of what has changed in a risk or what can be discovered about that risk to improve the pricing / coverage decisions. Loss sensitive products are purchased by significant commercial businesses that have complex insurance needs. Meeting their needs results in an account approach that includes multiple lines includes multiple lines of business such as property, liability, executive risk, employee liability, etc. In the marketplace, these businesses are few in number and are well-known to a local insurance branch office. Insurers who write large commercial businesses quote them renewal after renewal.

> “Success lies in using automation to supplement the expertise of the underwriting specialist to out-select competitors.”

"2020 will be the year of separation. It will become more obvious which insurers are gaining competitive advantage through digital technology."

Brokers handle an account for multiple years, if not decades. Individual underwriters who specialize in these challenging accounts retain their knowledge of the risks involved as they move between insurers. Leading companies are using technology to identify what has changed about an account since the last review and then deliver this information to the underwriter at the time of decision. Success lies in using automation to supplement the expertise of the underwriting specialist to out-select competitors.

2020 will be the year of separation. It will become more obvious which insurers are gaining competitive advantage through digital technology. For guaranteed cost business, this means using tools to deliver faster, cheaper, and easier than competitors. For loss sensitive books, this means making superior price and conditions decisions based on technology which turns information asymmetry into competitive advantage.

Predictive Analytics: Anticipating Customer Needs Rather than Reacting to Them

Kirstin Marr, Executive Vice President, Data Solutions, Insurity, Inc.

Underwriters have more digital tools at their disposal than ever before, but the reality is, much of the underwriting process continues to be manual. It's convoluted, complicated, and time-consuming, with a low quote-to-bind ratio in most lines. There are reasons for that. One is carriers' long history of doing business that way. Another is the irony that insurance organizations tend to be risk-averse, especially when it comes to trying new technologies.

Change is challenging, but it is particularly tough for industries that have formed habits over decades or even longer, as the insurance industry has. Trying to modernize underwriting by overlaying digital technology is a misguided approach that will not produce the desired results. Digital innovation on the front end simply cannot compensate for inefficient analog middle and back-end processes.

Insurance carriers must change how they underwrite because the proliferation of data and the profitable growth opportunities available to those that use data effectively will quickly leave laggards and non-adopters behind. Companies that embrace digital transformation give themselves the best chance to attain a sustainable competitive advantage.

Kirstin Marr is Executive Vice President, Data Solutions for Insurity, Inc., leading the development and operations for the company's portfolio of data and analytics solutions. Kirstin is a recognized thought leader, specializing in data and predictive analytics in the insurance market.

@Insurity

“Hockey great Wayne Gretzky holds career records for goals and assists in large part because his philosophy as a player was, ‘I skate to where the puck is going, not where it has been.’ That is essential advice for the insurance industry, in the context of data and technology.”

To better manage risk and become more efficient, profitable, and responsive to customers, the industry must adopt digital technologies that enable agents, brokers, and carriers to shift from a traditionally reactive mode to anticipating customer needs. Carriers have long relied on agents and brokers to validate and vet the business they underwrite. Right now, they can perform that vital role faster and more accurately with data and online mechanisms.

The market segment nearly everyone is chasing is small-commercial. It’s an opportunity of at least $100 billion, but the expense ratio in pursuing it through traditional methods would be so high that carriers could not make money. The only way to profitably serve this segment is through advanced digital technology.

How can carriers get there? A major hurdle to digital transformation is the carriers’ mindset on using and sharing data. Carriers lack the ability to navigate, cleanse, and manage third-party data sources on their own. They need the help of true data strategists who know how to consume data, evaluate items, and scale them. Carriers also must stop putting themselves at a competitive disadvantage by not sharing data. In a data-rich environment, profitable growth lies in efficient ways of sharing and deriving insights from data. Modern data providers understand this, and insurers that do not will struggle to use data strategically.

Digital transformation in insurance is achievable. We think there’s a predictive model in the head of every underwriter. The challenge is to get that expertise into the system, the technology infrastructure, and the organization so the next generation can absorb it and use it. In the future, underwriters and claims professionals will be technologists.

“We think there’s a predictive model in the head of every underwriter.”

A Platform-Based Insurance Business Model

Denise Garth, SVP of Strategic Marketing, Industry Relations and Innovation, Majesco

Unprecedented insurance transparency has resulted in a trend that is changing the nature of the insurance contract. Digital data, advanced analytics and mobile technology are the solvent that lets customers break apart the standard lengths of insurance policies into flexible, non-contiguous "chunks" of coverage whenever needed. Over the last 4 years, we have seen a growing proliferation of new products and value-added services that use new data sources, offer new customer experiences, leverage new technologies and most importantly are focused on meeting a new set of risk needs and expectations. Together, they are reinventing the business model for how insurance products are created, underwritten, priced and distributed.

To compete, insurers will need to re-think their business, technology and partnering strategies. It will require a resetting of the customer experience to match their expectations, creating a new competitive

Denise Garth is a recognized Top 50 InsurTech Influencer and industry leader with both P&C and L&A insurance experience as a CIO and business executive with deep global ties. Prior to joining Majesco, Denise held business and technology senior executive roles with leading insurance companies including Mutual of Omaha, CUNA Mutual and Century Cos. of America. She also held strategic leadership positions at ACORD, Innovation Group, and Strategy Meets Action.

@denisegarth

landscape. It requires a shift from the traditional 30-year-old business model to a new digital model. Elements of the shift include: moving from fixed duration to episodic; from static data to continuous flow of data; from point-in-time to continuous underwriting of risk and change terms and pricing; from high premium to low premium; from bundled offerings to itemized coverage; from static to dynamic pricing; from low to high touch; from systemic risks to dynamic risks; and from mature, incremental growth to emerging, high growth.

This new business model requires a new technology and operating platform that will enhance customer engagement and loyalty, reduce customer acquisition costs, reduce operational costs, and manage loss ratios for new and dynamic, changing risks. The new platform requires new technologies and capabilities, including:

- Cloud, microservices and API-based platforms that enable redefined new business processes
- Multi-channel access with mobile apps and portals for customers and all channels
- Robust data and analytics capabilities that ingest and analyze data from the platform and external sources to support the dynamic nature of on-demand, from initial and ongoing underwriting through claims, including prevention
- Robust ecosystem of partner services that bring new capabilities and data to the business model and process, creating added value

"It is nearly impossible for any insurer to possess, nor afford the acquisition of, the resources and capabilities needed to keep up with the changes, let alone anticipate and stay ahead of them."

> "Entire populations are shifting purchase patterns. Cultural norms are being created as communication changes."

There is a whole other world of ecosystem development specifically designed to connect insurers with digital capabilities and data sources that are becoming the fuel for insurance development. With the breadth and velocity of change in technologies, customer risk needs and engagement expectations, it is nearly impossible for any insurer to possess, nor afford the acquisition of, the resources and capabilities needed to keep up with the changes, let alone anticipate and stay ahead of them. A platform-based insurance business model that leverages platform technologies and digital ecosystems of diverse third-party partner services completely removes this barrier.

Platforms are future-altering. Entire populations are shifting purchase patterns. Cultural norms are being created as communication changes. As data gathering and analytics improve, transparency is improving our knowledge of the decision process and how to influence it and how to fit naturally into new lifestyles with different channels. Platforms are both the drivers and enablers of this massive shift. Someday we may be asking ourselves, "Which came first — customer pressure to change or the rise of platforms?"

A Business Case First Approach to Transformation

Lynne Vonwistinghausen, Managing Director, Operations & Technology, Marsh Canada

With customers expecting faster response times, brokers are facing a market that is more challenging than ever before with shorter and shorter deadlines. Overwhelmed by manual processes and the time staff spends manipulating vast amounts of data daily, it is difficult for brokers to provide outstanding client experiences.

Today, the risk of errors and omissions runs rampant with multiple human touchpoints throughout the quote-to-bind process right through to collections. Data entry discrepancies like the incorrect commission or premium amounts make collections difficult. Brokers are spending enormous amounts of time emailing submissions to multiple insurance carriers to obtain the best quotes for their customers and then sorting and manipulating data rather than focusing on what we do best, providing client advice.

Investing in emerging technologies like artificial intelligence and robotic process automation will help the insurance industry on many levels. We as brokers need to leverage the power of these technologies to digitally centralize and streamline high-volume manual processes like data capture to open up capacity for our staff to provide client advice.

Lynne Vonwistinghausen leads Marsh Canada's Operations & Technology function. In this role she has accountability for a team of more than 130 colleagues who provide strategic oversight and support to colleagues in Marsh's 15 offices across the country. Lynne joined Marsh in 2013 and has more than 20 years of experience in the insurance industry. Since joining Marsh, she has been responsible for establishing a national strategic operations and technology roadmap designed to enhance Marsh's operational efficiency and maximize client satisfaction.

@MarshGlobal

As an industry, we need to invest in a full transformation, not just incremental improvements. We need to ask ourselves "how" we transform together to automate and standardize existing error-prone manual processes. Bringing together the right people with the right mindset and taking a business case first approach is vital. Successful transformations are predicated on three key factors – people, process, and technology.

"Adopting technology for technology's sake without a solid business case often leads to poor user adoption and, ultimately, failure."

Strong change management practices, the right people, and the will to change are essential to transform an organization successfully.

Moving forward, we need to pull together as an industry to standardize commercial insurance processes and create a trading platform that makes it easier for information to be sent back and forth between the insurance company and the broker. How we exchange information from submissions to claims and everything in between needs to be modernized. Information relating to claims must be provided by insurance companies in a timelier manner as well as quotes to allow brokers to better service policyholders.

Insurance carriers and brokers need to join forces to optimize efficiencies, streamline communications, and ultimately free up brokers to focus on providing expert, one-on-one client advice.

"Today, the risk of errors and omissions runs rampant with multiple human touchpoints throughout the quote-to-bind process right through to collections."

Better Data (and Data Management) Means Better Underwriting

Martina Conlon, EVP, Research and Consulting, Novarica

Technology is changing the role of the underwriter. How they collect risk information, and how they analyze it and make decisions, has seen rapid change alongside technological evolution and data proliferation. These factors have reduced underwriters' administrative workloads and their monopoly on decision-making; they have increased underwriter productivity and the time they have to develop relationships with distributors.

Commercial carriers are working to adapt to this new technology landscape, but older and manual processes still play a major role in day-to-day operations, creating friction. Many insurers are using RPA, for example, to improve poorly-automated processes from earlier investments in enterprise systems, but this is a temporary fix.

Martina Conlon is a practice leader for property/casualty at Novarica. She is an expert on IT strategy, core systems, organizational approaches, and technology architecture, and is the primary researcher and author of market-leading reports on agent portals, core systems, and business intelligence. She holds an MBA from Boston University and a BS in Electrical Engineering from Tufts University.

@MartinaConlon

Better data (and data management) means better decisions. Insurers in the past manually collected scarce data to inform underwriting decisions and patch together profiles of risk. Today, data is ubiquitous—the task for insurers now is to manage and analyze data from various sources to augment and refine underwriting processes. Consistent, high-quality data in conjunction with the right technology and management processes enable insurers to access and act on more complete risk profiles.

Commercial carriers are leveraging new data sources and adopting AI and analytics to inform their underwriting decisions. Several InsurTechs are automating underwriting with predictive analytics and big data, reducing the load of simple cases and providing tools for underwriters to become more productive (and add more value).

Mature technology capabilities remain rare, however. Fewer than one out of four insurers have deployed most emerging technologies in production. About a quarter have pilots in the works for chatbots, big data, and AI. At the same time, more underwriters are gaining access to third-party data offerings, including generic scores (e.g., credit score, social media score), as well as IoT and telematics data. Many also have active data quality initiatives for policy and customer views.

> "Today, data is ubiquitous—the task for insurers now is to manage and analyze data from various sources to augment and refine underwriting processes."

> "Older, highly-manual underwriting processes are unlikely to stand the test of time if left unchanged."

Commercial lines insurers have adopted AI and analytics to improve risk selection and pricing. AI is in use at some insurers for data normalization and to surface risk indicators that would not otherwise be obvious. Many have also applied advanced predictive models to the underwriting process to provide risk assessment and pricing indications.

Mid-market and large commercial organizations focus on augmenting process efficiency by leveraging data and more powerful analytics. Straight-through processing (STP) adoption is also growing, especially in small commercial lines (though many only have a small portion of business straight-through, even for companies with strong STP capabilities). Thirteen percent of small commercial lines carriers process more than half of their business straight-through, and 75% of mid-market carriers don't process any business straight-through.

The value of data and the insights carriers can generate from it using technology will continue to grow. Older, highly-manual underwriting processes are unlikely to stand the test of time if left unchanged. Current pilot activity, and the shifts of some technologies from pilot to production, indicates that insurers will continue to apply these technologies in innovative ways, improving their ability to generate insights, streamline workflow, assess risk, and make predictions.

Making Insurance More Human:
A Customer-Centric Approach to Underwriting

Leah English, SVP Sales & Marketing, OneShield Software

The insurance industry is experiencing a technological renaissance and many forward-thinking commercial underwriters are already exploring how new technology can modernize underwriting by increasing flexibility, enhancing efficiency, and delivering a top-notch customer experience (CX).

The rationale for why underwriting needs to change is simple – the customer is changing, and the process must adapt to meet those expectations. Insurers must continue to focus on automation as a means of responsiveness with a holistic approach to customer experience or risk being left behind.

Leah English is responsible for executing OneShield's sales and marketing go-to-market strategy. Before this role, Leah led the Program Consulting Group where she was instrumental in creating improved processes and approaches for all implementation projects.

@OneShield

The increasing use of analytics and artificial intelligence to automate the underwriting process and real-time decision-making is essential to meeting customer needs. The key is using technology that can "talk" to the customer via any channel in a personalized manner. Making the most of each interaction, keeping the message and process simple, and supplementing existing information with third-party sources is crucial for any insurer to compete in this highly competitive marketplace.

New modern technologies are enabling automation of choices for consumers, whether it's direct-to-consumer or through an agent. One example is empowering a customer with the ability to dynamically create product packages based on their unique needs. Recommending coverage options that mix business lines, risks, and understand usage preferences and frequency. The consumer or agent is presented with options, makes selections, toggles between choices and immediately sees the pricing impact. This experience provides a customized policy leveraging automated, informed underwriting workflows alongside technology to deliver what they want, when they want it, all without human intervention.

> "The increasing use of analytics and artificial intelligence to automate the underwriting process and real-time decision-making is essential to meeting customer needs."

> "The key is using technology that can 'talk' to the customer via any channel in a personalized manner."

At the core of these modern technologies is one simple yet industry-disrupting concept — customer-centricity. This means turning traditional underwriting processes of "company first" to focus on the customer's needs. Customer-centricity is revolutionizing the user experience and challenging insurers to evolve their approach to engaging with their customers.

Many insurers are turning to customer-centric technologies. These platforms built specifically to provide a 360-degree view of "all things customer", allows the insurer and their agents to manage customer relationships holistically. These insights into the customer's past interactions coupled with the ability to predict their future needs dramatically improve the insurer's viewpoint and data to analyze in the underwriting process. Through an approach that focuses on the customer, this enables increased retention, and loyalty through the improved CX process. A customer-centric approach to underwriting is one factor in the evolving role of the underwriter, but arguably could be the most important in a hyper-competitive industry that is being forced into being more responsive, more "human", and incredibly efficient.

Independent Agents Must Adapt to Survive

Chris Paradiso, Owner, Paradiso Insurance

Stating that the age-old manual underwriting process is causing bottlenecks is an understatement. While advancements in technology have made drastic improvements within the insurance industry, we are still relying on information received directly from the client when beginning the quoting process. Questions such as, “how old is your roof?” or “how old is your electrical and plumbing?” are things that the business owner may not know for sure. Unless you’ve owned the building for decades, you may not know for sure when the last time your roof was replaced or your electrical was updated. That means that we are forced to rely on information that may or may not be accurate.

So, the question becomes, why are we still quoting this way? I can promise you that direct writers aren’t. Say we have a fleet of 50 Amazon trucks that we are quoting. Instead of asking the client for each individual VIN number for each truck, why aren’t we just pulling all of that information through their DOT number? The Department of Motor vehicles already has all of this information and the best part is – it’s accurate.

Chris Paradiso is one of the most passionate and dynamic agency owners in the insurance industry today. His passion for digital marketing, a strong drive to improve efficiency, and his unwavering dedication to exemplary customer service has led Christopher to build and grow his own agency. His clear vision has helped direct other insurance agencies to push the envelope and find their own success as well. In 2011 Chris was excited to introduce “Paradiso Presents” a social media marketing program aimed at teaching other agencies how to survive and thrive in today’s complex online marketing world. His innovative marketing solutions have been recognized and implemented into agencies nationwide.

@paradisoins

"Unless you've owned the building for decades, you may not know for sure when the last time your roof was replaced or your electrical was updated. That means that we are forced to rely on information that may or may not be accurate."

Now let's go back to the small business owner who is looking to insure his building. Instead of asking him when the last time his flat roof was replaced, we should be pulling that information through their city or town hall. A new roof would require a permit, which is all traceable and far more accurate than relying on the owner to remember off the top of their head.

The next piece of the quoting process that we need to focus on is utilizing technology to reduce the time it takes to pull quotes. Tarmika, for instance, allows the underwriter to input the information once into their system and Tarmika disperses this information across multiple carrier sites. This will allow us to receive multiple carrier quotes in a fraction of the time, making the quoting process more efficient and profitable.

"By reducing the time it takes to shop carrier rates, you or your team can get back to the customer faster, and service more customers in one day."

As independent agents and agencies, we have to start embracing technology in order to survive against the direct writers of the world. The industry is constantly changing, and we must adapt and change with it and I truly believe that embracing technology is the first step in doing this.

So Much Tech, So Little Progress: We Need a Framework for Evaluating Solutions

Nick Lamparelli, Chief Underwriting Officer, reThought Insurance

Insurance underwriting has come to a crossroads. The digital and information revolution that started a generation ago has now created pain points within insurance that will need to be solved yesterday. Beyond just our inability to move customary underwriting data through the ecosystem, we are now being barraged with a plethora of data we couldn't have even envisioned two decades ago.

With the push of a button, we can determine the construction, construction quality, height and other critical property characteristics. With the push of another button, we can get critical data on who you are

Nick Lamparelli is the Chief Underwriting Officer for reThought Insurance, a tech-centric MGA focused on risk management solutions for properties exposed to climate-related perils. Nick is also a partner, blogger and podcaster at Insurance Nerds.

@Nick_Lamparelli

and the likelihood that you are the sort of risk-averse individual (or business) that will go the extra length to prevent a claim. And with still another button, we can determine how hurricanes, floods, earthquakes and fires will affect a single or a portfolio of properties. So much data, so much technology and yet so little progress.

Somewhere along the way, we have lost track of why we underwrite. If the point of underwriting is just to make a profit, then there is little impetus for us to evolve with technology, simply because the low-risk exposures and hazards are fairly easy to discern. But what if our mission is not solely tied to profit making but in being able to service the risks of a set of exposures and to do that profitably? What would we then need to align ourselves to evolve to that state?

The next generation of underwriting is already here…the technology has arrived, and it is waiting to be used. But, before we run to use this technology, the future underwriting firm must first be able to identify why it exists. Why? This isn't just MBA theatrics. As I mentioned, we are now becoming overwhelmed with new technologies and data. Without an appropriate foundation, underwriting departments will spend countless resources and waste precious time evaluating and implementing this technology.

"Somewhere along the way, we have lost track of why we underwrite. If the point of underwriting is just to make a profit, then there is little impetus for us to evolve with technology."

> "Without an appropriate foundation, underwriting departments will spend countless resources and waste precious time evaluating and implementing this technology."

It starts with understanding who is the underwriting team, and what are they exceptionally good at? Then, working backwards, the underwriting team can identify who their ideal customers ought to be and how best to service them. Only at this point can the question be raised of which technologies are best to implement – not only to exceptionally service those customers, but also to do this profitably. This means creating a framework for evaluating technology and solution providers. This framework should work for every touchpoint with a customer, regulator, stakeholder and internal business operations.

Because our assets are information (bits of data) we should be asking which technologies allow us to acquire bits of information, store them, and move those bits around easily – all the while being able to make sense of them, gauge their value and assemble them into a product that maximizes the collective responsibilities to our customers, stakeholders and to the profitability that we need to justify all of this effort.

Improving Customer Relationships with Signals-Based Insurance Coverage

Philippe Lafreniere, Chief Growth Officer, Slice Labs

Let's step back a bit. At the heart of the problem is the need for insurers to renew their commitment to having stronger customer relationships. Once insurers really have this perspective with today's customer in mind then they will naturally learn what customers care about – fast, convenient, and intelligent customer experiences powered by advancements in AI and other innovative technologies that promote smarter and more responsible and transparent usage of data.

Comprehending customer behavior through data will guide insurers to have a more complete understanding of what bottlenecks in manual and automated underwriting processes can be improved. **It is not enough to just convert manual processes to automated ones.** Many processes should be reinvented by leveraging data and hardware sensors to better monitor customer behavior in real-time. This approach to analyzing insurance signals and events will empower carriers to have a more holistic perspective on what customers have done and are likely to repeat again when it comes to risk. This could lead to the potential where a bot that has been programmed with the appropriate machine learning algorithms can make near instantaneous underwriting decisions.

Philippe Lafreniere works with global insurance companies and ecosystem platform partners to develop realistic plans for creating and embedding new digital insurance products. Philippe brings over 26 years of global insurance technology experience to his role at Slice, where he is focused on building more meaningful relationships with companies committed to becoming digital insurers and serving the needs of the on-demand economy.

@PLafreniere

Beyond appropriately pricing commercial insurance products, insurers would be able to leverage these predictions to create new on-demand, cloud-based insurance products that are customized to better protect customers from risk than traditional commercial insurance products. Furthermore, signals-based insurance coverage cannot be a static annual policy, but one that is dynamic in nature and with the ability to leverage AI to continuously adapt underwriting to new potential areas of risk. Additionally, this type of proactive risk management service will better align expectations around having safer work environments that will improve customer satisfaction.

There are countless opportunities to apply AI in the underwriting space including classification of risk to event simulation, and real-time signal monitoring. For example, a field service company could provide real-time analysis of employee operations in high-risk environments delivering immediate recommendations for adjusting coverage and protecting against risk.

By starting at the foundation in understanding customer behavior with signals and events data, insurers can improve customer relationships by serving as a proactive digital insurance advisor. It is not a sound strategy to leverage new technologies so insurers can say they are 'digital', it has to be about how they can make customers' lives easier.

> "There are countless opportunities to apply AI in the underwriting space including classification of risk to event simulation, and real-time signal monitoring."

Leveraging AI and Predictive Models for Risk Analysis and Pricing

Karen Furtado, Partner, Strategy Meets Action (SMA)

Almost everyone will agree that the pace of change the insurance industry is operating within continues to accelerate. As new products and services are brought to market, customer experience is redefined, and operational efficiency is gained as transformational technologies advance. Commercial lines insurers are looking to data, analytics, and AI to address specific business needs. These include:

1. Reducing or supplementing data entry
2. Verifying risk appetite
3. Leveraging new data sources, scores, and models to support straight through processing
4. Leveraging AI and predictive models for risk analysis and pricing

When looking at the changes taking place in commercial lines underwriting, one needs to view the shifts based on the segment, with distinct differences for small, middle, and large markets; specialty; workers' comp; and other areas.

Karen Furtado is a well-known authority on insurance technology and how it fuels transformation within insurance companies. Her focus is helping insurers prepare for the future of the industry through the decisions they make today. Karen's deep understanding of how to effect change guides insurers in the development and implementation of their transformation roadmaps. Her comprehensive knowledge stretches across foundational technologies such as policy admin, billing and claims, the implications of InsurTech, and enhancing adaptability and flexibility in a changing market. For more than 30 years, Karen has held leadership positions across the insurance industry.

@karenmfurtado

- Small commercial underwriting continues to transform and advance the levels of straight through processing across all lines while simplifying the submission process by reducing the data collection fields, using new data sources and new models, and providing digital engagement experiences in sales and service for both the agent and policyholder.
- The middle market is looking to automate the ingestion of the email – pdf submission process with a variety of AI tools that include RPA, NLP, and machine learning to advance risk analysis with new AI tools and provide backend automation on policy contract comparisons.
- Large complex risks and specialty lines often have massive amounts of data to ingest for risk assessment, including both unstructured and structured data in many formats. The ability to capture and extract data, recognize forms, and organize the data for underwriters is becoming essential.

Recent SMA research finds that 87% of commercial lines insurers are investing in technologies in the AI family. Most of those who are not investing are interested but are smaller and lack the budget at this time. Insurers especially see potential in leveraging AI for unstructured data, with 63% of commercial lines insurers citing this as an area of top potential. From the people, process, and technology viewpoints, the wide range of AI capabilities – RPA, NLP, machine learning – all will play major roles in underwriting transformation.

> “The wide range of AI capabilities – RPA, NLP, machine learning – all will play major roles in underwriting transformation.”

Preparing for a New Pace of Change

Elaine Mannix, Director, Insurance Industry Practice, UiPath

We now lead very different, more complex lives; some say insurance is not changing fast enough to meet these needs, as it is estimated that we only insure approximately 40% of risks. It is understandable that insurers are on a mission to close this gap and offer quick to market commercial products that cover these changing needs, while using analytics to get closer to their clients. So how do you use tech as a true enabler to align your company in this direction for growth?

1. Insurance companies with an enlightened "Data First" vision are aiming for the nirvana to have a single source of **accurate structured data** that is used along the distribution chain. While this may seem like a lofty vision, the technology is now available to integrate, scrape, collate, structure and analyse data more accurately; RPA, intelligent OCR, intelligent chatbots, human in the loop, ML,

Elaine Mannix is an insurance industry change leader with over 20 years of experience. Her broad and deep experience includes driving change at Fortune 500 insurance carriers as both an internal leader and an external consultant. Familiar with the entire insurance value chain from broker and MGA to insurers and reinsurers, she has led global teams in delivering large-scale transformation initiatives. She is well known in the insurance industry for helping customers transition from automation experimentation to the development of mature automation visions and strategies to achieve customer, risk, revenue and cost objectives.

@UiPath

sentiment analysis etc. Building this ecosystem and capability will pay quick dividends to your transformation. KPMG has cited IoT, Automation and AI as the top 3 transformation techs. All need lots of structured **data**, especially AI.

Tip: Aligning your data strategy with your intelligent automation capability will support the value and pace of your change in risk assessment and pricing

2. You will need your best people to work on these new products, channels and tailored services for your customers, so how do you free up capacity? Traditionally automation has been focused on back-office services however the true value lies in **automating end-to-end customer journeys** with the highest value at your front door. All channels from email, to chatbots could be triaged and aligned to superior insight and services for your customers, either through self-serve or human interaction. Many insurance companies have started automation in claims and are now using this data and insight to shape services, products and profiling customers for one-touch claims and even renewals.

Tip: A customer focus will help to break down silos across your organisation. Map your end-to-end claims journey for one of your lines of business (high volume, low value) and see how automating can save you up to 40% of your time.

> "It is estimated that we only insure approximately 40% of risks. It is understandable that insurers are on a mission to close this gap."

"All the pieces of the jigsaw are there now for you to stand up an ecosystem to support transformation, but it won't be the tech that slows you. You will need to invest in your people for this new digital revolution."

3. All the pieces of the jigsaw are there now for you to stand up an ecosystem to support transformation, but it won't be the tech that slows you. You will need to invest in your **people** for this new digital revolution; IoT, automation, ML and analytics etc. Forrester[2] have predicted 80% of insurance jobs will change in the next 10 years. Give your employees the opportunity to learn new digital skills; to automate and own processes they add value to, to provide better insight with analytics tools and use digital assistants to improve their own efficiency.

Tip: Data scientists are a rare commodity, give your actuaries the tools to create models more broadly around customers, fraud, etc., and bring ML into your business by making your automated processes more intelligent.

All strategic initiatives in 2020 will benefit from automation and machine learning as you prepare your organization for a new pace of change. There are no shortcuts to this; start building or improving your capability now around data, tech, processes and, most importantly, people.

Underwriting the Future Starts with an Innovative Mindset

Anurag Batta, Chief Operating Officer, Zurich North America

As you look at the insurance industry, the pace of change is profound. Technology is continually redefining how everyone works; current risks are evolving while new risks emerge. Not surprisingly, the expectations customers have for their insurance carriers are evolving, too. Insurers are searching for solutions to address these challenges. In the first half of 2019 alone, insurance providers invested $2.2 billion to support insurtech initiatives, according to a recent Deloitte study.[3]

These changes are nowhere more evident than in the world of underwriting. The qualities that have traditionally defined excellent underwriting remain: a thorough knowledge of risk selection, program structure and appropriate pricing that meet the specific needs of each customer. What has changed, however, is the enormous and growing amount of available data. Added to this is the emergence of new risks requiring innovative solutions — consider autonomous vehicles, the gig economy and climate change, to name just three.

Anurag Batta oversees the development and delivery of Zurich North America's strategic and operating priorities. He is also responsible for Customer Experience, Data and Analytics, Marketing and Communications, Strategy and Execution Measurement, Business Transformation and Strategic Initiatives and Innovation.

@ZurichNA

Identifying, understanding and measuring evolving and emerging risks is critical in meeting the changing needs of businesses. Insurance carriers and brokers are increasingly adopting digital technologies in response. A July 2018 Accenture study reported that more than half of insurers nationwide were already using intelligent solutions in one or more of their business processes.[4]

But what changes in underwriting make the most sense? On which underwriting technologies and digital transformation initiatives should the industry focus to better manage these changing risks and to create more efficient, profitable and responsive insurance solutions for customers?

Investing in Data to Support and Empower Underwriters

We see great potential in harnessing the immense amount of data and transforming a variety of underwriting tasks. A focus on innovative predictive analytics technologies that enhance our ability to more accurately measure risk factors (e.g., historical performance, type of exposures and other quantifiable risks) will help address the challenges businesses will face in 2020 and the years beyond. Expanding the scope of data to include richer external and contextual data, as well as more timely sensory data (such as that available from wearables and other sensor-based technologies), will help underwriters better understand and quantify risks and exposures and, ultimately, develop more innovative solutions for customers.

> "Freeing underwriters from painstaking, time-consuming tasks such as keying in, rekeying and moving data – which, in fact, machines can do better – allows them to use their talents to solve customers' unique risk needs and find greater job satisfaction."

> "Investment in underwriting for the future must support – not replace – the underwriter's experience and creativity to provide the solutions that customers need."

In addition, the potential to ease underwriters' workloads using technologies like machine learning cannot be underestimated. Freeing underwriters from painstaking, time-consuming tasks such as keying in, rekeying and moving data – which, in fact, machines can do better – allows them to use their talents to solve customers' unique risk needs and find greater job satisfaction.

Investment in underwriting for the future must support – not replace – the underwriter's experience and creativity to provide the solutions that customers need. We believe it is critical for underwriting investment to reflect an understanding of the underwriter as an asset, and to help grow their technical capabilities and support their career development.

As a customer-led organization, we are relentlessly working to exceed our customers' expectations, combining the intelligence we have and the information we collect to anticipate and be ready for the evolving marketplace. That, to us, defines innovation and the future of underwriting.

About Chisel AI

Chisel AI's purpose-built solution for commercial insurance reads unstructured data 400 times faster than a human – and with much greater accuracy. Our advanced AI platform and intelligent workflows automate high volume, mundane underwriting and brokering processes, enabling insurance carriers and brokers to double their business, reduce E&O risk, and deliver a better customer experience without adding staff. Our customers include some of the world's largest carriers and brokers.

Chisel AI won Gold at the 2019 Zurich Innovation World Championship and the ACORD InsurTech Innovation Challenge in 2018.

www.chisel.ai | @chiselai

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3 "Accelerating insurance innovation in the age of insurtech." Deloitte Center for Financial Services. September 2019.
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