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A Digital Future for Insurance

Embedding Data at the Core of Commercial Lines *Underwriting*

Breaking through the challenges of commercial underwriting

Underwriting is the heart of insurance. The ability to effectively analyze and price risks distinguishes good underwriters from great ones, and profitable insurers from unprofitable ones.

But underwriting has historically been part art, part science, based on technical models, exposure information and risk appetite but with heavy subjective interpretation.

Until now, this has been rightly justified by shortfalls in available data and computing power. But today there is an abundance of both, offering the opportunity to be much more scientific—particularly in commercial lines, where risks are the most complex and diversified.

Yet commercial lines underwriting faces many barriers today. Current underwriting processes are often fragmented, inefficient, reliant on poor-quality data and slow to change. Some examples:

- **Fractured, messy submissions requiring** rekey and categorization. Multiple studies indicate that insurers spend more than 40 percent of their time performing non-underwriting activities, such as rekeying data, generating document and supporting sales or marketing

- **Lack of real-time Management Information (MI) for efficient prioritization**, which limits visibility into concentration and trends across sector, geography and client, leading underwriters to prioritize simpler or "louder" requests, rather than where the business wants to win margin or expand their footprint

- **Fragmented decisioning** process with multiple handoffs across CRMs, Excel-based rating models, emails, forms, third-party databases and internal systems

- **Low-quality and siloed data**, which is cumbersome to join together, and, by which point, the market may already have moved on

- **Slow speed of change** to add new modeling factors or data sources, often driven by the complexity of large, slow-moving monolithic systems

The opportunity: embedding data at the core of underwriting

While incumbent commercial insurers tackle their process and data challenges, new startups are evolving and taking share. Meanwhile, forward-thinking insurers are investing in new underwriting solutions and data platforms, improving their use of data and risk selection and finding new models for underwriting.

The nature of risks is also changing. While economic concerns dominated 10 years ago, technology, extreme weather and climate change prevail today. Carbon transition, AI products and increased natural catastrophe frequency all require new product innovation, new data sources and an efficient pace to seize the space.

In the face of legacy underwriting processes, the changing nature of risk and an evolving competitive landscape, commercial incumbents face a clear impetus to **transform the underwriting process and embed data at its core**.

By embedding data at its core, we mean **viewing data as a strategic lever of growth** (rather than just a set of tools) and developing a clear view of the strategy and capabilities needed to support it.

Better use of data can offer improved value, speed and quality:

Value: improved risk selection, response times and conversion rates, greater underwriter productivity, increased risk mitigation at reduced frictional cost to society

Speed: improved cycle times and faster product innovation

Quality: higher decision-making quality (translating into improvements in loss ratio) and reduced risk of errors at both the risk and portfolio level, with better broker experience

The pathway to modernizing underwriting

There are three key steps to placing data at the core of underwriting:

Strategy: the points of leverage for data to accelerate and improve underwriting

Capabilities: the infrastructure, analytics, operations and people needed to support this

Pathway: the necessary transition states to maturity and the embedding of continuous improvement, rather than a one-and-done delivery

Strategy: points of leverage

To start, business, technology and data teams need to come together to identify the points of leverage that data can offer across the underwriting process. Some key questions to ask:

- How can our underwriting processes be improved by leveraging data?

- How can we improve the quality and consistency of data collected?

- What kinds of decisions do we make today, and what data can we bring to make them better informed?

- How would we change our decision-making if we had 1,000 times the data and the insights from them readily available at our fingertips?

- Where can we make our business operations more efficient through automation?

There are five main ways the underwriting journey can leverage a data-centric platform:

- **Automated ingestion and triaging of submissions**
- **Enhanced underwriting and decisioning**
- **Real-time portfolio steering and scenario management**
- **Continuous improvement of decisioning and data ingestion:**
- **New product innovation**

Automated ingestion and triaging of submissions:

- Broker submissions across channels are automatically read and prioritized based on the likelihood of conversion and renewal, and comparison against concentration limits

- Open cases are intelligently triaged to the most appropriate underwriter based on historical precedent with the risk type and broker, as well as current portfolio status. Cases with a low likelihood of quoting or conversion are deprioritized

Enhanced underwriting and decisioning:

- The overall process is governed by a workflow that minimizes manual handoffs between people and systems

- Underwriters are presented with priced, decision-ready risks that have been ingested, categorized and passed through decision intelligence engines

- AI-generated contextual prompts are used to give underwriters relevant advice from manuals and show how peers have handled the decisioning and pricing of similar risks

- Underwriters receive requests to update coverage or add endorsements in the same way as a decision-ready risk, coupled with an AI-generated recommendation and a view of the expected portfolio impact

Real-time portfolio steering and scenario management:

- Management has a portfolio management tool at their fingertips that displays a real-time view of exposures and performance against risk appetite, so they can prioritize footprint, steer decision-making and adapt pricing in real-time

- Scenario planning tools allow them to test changes in risk appetite and pricing and preemptively make rate, footprint and covenant changes

Continuous improvement of decisioning and data ingestion:

- Newly notified or incurred claims feed rapidly into loss figures, with the AI engine generating suggestions to update footprint or pricing in cases of sustained deviations from projected loss rates

- New data sources that can enhance risk understanding are easily added and ingested via APIs to enable continued evolution of pricing and risk appetite

New product innovation:

- Claims and market data are used to develop and embed new integrated risk prevention and management solutions, built and deployed quickly to test and learn uptake in the market (e.g., parametric solutions, IoT, climate, agricultural risk, etc.)

- These benefits will differ for each insurer and team depending on their overall strategy. Identifying the unique set that is relevant will help align business and technology teams around a common vision and outcomes

Capabilities: infrastructure, analytics, operations and people

Driven by this compelling opportunity, insurers should evaluate the maturity of their current underwriting and data capabilities. Here are some guiding questions to ask across four key dimensions:

Business operations:

Processes across underwriting and other functions (e.g., finance, risk)

- Where are underwriters spending the most time on non-underwriting activities?
- Where are handoffs between underwriters, brokers and other third-party teams?

Infrastructure and data:

Tools and architecture to manage underwriting and use of data

- How readily available is submission, pricing and claims data across teams today?
- How differentiated and proprietary is the company's data?

Analytics:

Dashboards and analysis used to generate insights across the company

- How accessible is important data by people and systems?
- How reliable is that data?
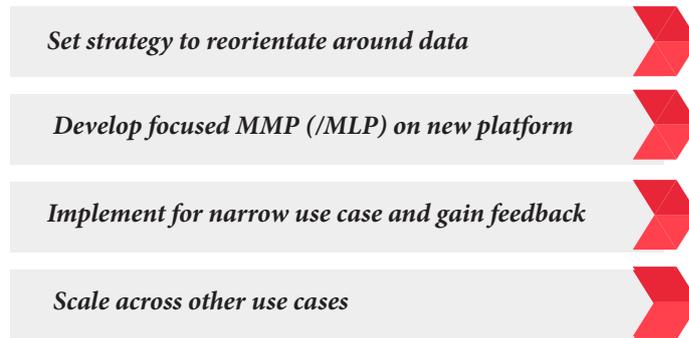- How aligned are teams across the definitions of core metrics (e.g., GWP, retention)?

Team:

Maturity of understanding and usage of data across the organization

- What is the framework for making operational and strategic decisions today? What data is used, if at all?
- How comfortable are team members with using self-serve data tools?

Pathway: the transition states to maturity

| Set strategy to reorientate around data |
| Develop focused MMP (/MLP) on new platform |
| Implement for narrow use case and gain feedback |
| Scale across other use cases |

1.

Set strategy to reorientate around data

The strategic areas of leverage and capability assessment above will inform the priorities for change. We typically see commercial insurers most plagued by their infrastructure, which impacts the maturity of data usage across the organization and ability to change.

There are many Insurtech players and platforms that service different parts of the insurance value chain, but assembling and wiring them up—with data at the core—is key. As we see in banking, there is a trade-off between traditional systems with a rich functionality and a long track of implementation (but on aging, inefficient architectures) and new entrants built from the ground up with cloud-based modular architectures and agile delivery that are maturing their breadth and track record.

2.

Develop focused MMP (/MLP) on new platform

We recommend a "steel-thread" approach to tackling the transformation of underwriting—picking the smallest end-to-end slice of functionality and building it out thread-by-thread—rather than a monolithic big bang delivery. In this way, a rapid end-to-end delivery proves value quickly but is joined up from end users through to business operations, infrastructure and data. This can drive early business value through one of the benefit areas above and accelerate appetite for wider change.

To do this, insurers need to set up a multidisciplinary squad spanning business, technology and design, empowered to build and make quick decisions. The squad needs to pick one opportunity, rapidly design the end-to-end "service blueprint" and bring it to life. An example might be building a prototype to automatically ingest documents for a single business line and hook it into existing workflows.

3.

Implement for narrow use case and gain feedback

Building the first prototype will require additional effort across the value chain—onboarding new vendors, building cloud, data and engineering foundations and establishing new ways of working. Once the first prototype is built, subsequent slices can be onboarded in a nimbler fashion and matured and developed over time.

We often see prototypes built that don't translate into actual results or don't become embedded into business operations. Realizing value requires establishing clear decision-making frameworks and accountability over key value objectives and results (e.g., number of hours to a decision, percentage of retention). In some cases, this may require organizational realignment around value streams or journeys where appropriate. Robust data governance frameworks and investment in data quality automation also become key at this stage to enable scale.

4.

Scale across other use cases

Once embedded, the focus should then be to industrialize and scale to other use cases and build a culture of continuous improvement. At this stage, there is also headspace to build out additional platform functionality and more ambitious use cases across the broader journey, as the initial use cases transition into BAU (Business as usual).

Examples of data-centric plays in commercial insurance

cfc

CFC, an MGA for commercial insurance, utilizes automated underwriting and data enrichment, offering rapid product development and instant binding quotes through extensive data connectivity with brokers and underwriters.

Ki

Ki Insurance, a Lloyd's syndicate developed in collaboration with Brit, Google Cloud, and University College London, employs algorithmic risk evaluation via a broker portal, achieving £700M GWP within two years with a 31.8 percent expense ratio.

AXA

AXA XL's Digital Ecosystem & Engagement Platform (DEEP) consolidates enterprise data, facilitating cross-selling, self-service for data professionals, and faster policy introductions, resulting in lowered expense ratios.

Cytora

Cytora, an underwriting platform, digitizes, evaluates and intelligently triages risks, showcasing the benefits of a data-centric approach with features such as risk digitization, intelligent triaging and performance analysis.

hyperexponential

Hyperexponential, a pricing decision intelligence platform, handles contracts exceeding $22 billion annually.

How Publicis Sapient can help

In practice, very few incumbents have managed to successfully transform their underwriting process and use of data. In many cases, insurers acknowledge the need for change but struggle to get started. Others get bogged down in big programs that fail to deliver long-term value.

Publicis Sapient is well-placed to support insurers who want to explore this transition. We've worked with insurers and other major financial services providers across the full lifecycle of transformation, putting data at the core of their businesses.

Our team of strategy, data and customer experience experts can help insurers navigate a clear path for transformation. We can rapidly assess the opportunities available, supported by customer research and technology vendor insight, articulate a clear vision and strategy for change and build functioning end-to-end proofs of concept in a matter of months.

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