

Welcome to

'Best Practices for Commercial Insurance in 2024!'



Best Practices for Insurance in 2024

- This comprehensive guide focuses on the dynamic landscape of the insurance industry, where leaders and analyst are deeply engaged in evaluating the extensive impacts and untapped potential of emerging opportunities, such as AI-enabled data, blockchain for secure and transparent transactions, the Internet of Things (IoT) for real-time risk monitoring, and machine learning for automating complex underwriting processes.
- We will deep dive into the trends, challenges and opportunities that Commercial Insurance industry is facing right now and how integrating cutting-edge AI-enabled data allows insurance companies not only to boost their immediate performance but also to strategically align themselves for enduring, long-term innovation and growth.
- We hope that the practices outlined here will help you navigate through and thrive in the rapidly changing digital environment that is reshaping the insurance industry of tomorrow.

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1. How is the commercial insurance industry looking today?

1.1 Challenges

The insurance industry is currently navigating a multitude of significant challenges. **Digital disruption** is at the forefront, fundamentally altering how insurance companies operate and interact with customers. This shift necessitates a rapid adaptation to digital platforms and technologies, posing a challenge to traditional business models. **Moreover, the frequency and severity of natural disasters** are on the rise, leading to an increase in catastrophic claims and putting a strain on insurers' resources and underwriting capabilities. This trend is exacerbated by the escalating impacts of climate change, demanding more robust risk assessment models and innovative insurance products.

Additionally, the growing threat of cyberattacks presents a new and complex risk landscape. Cybersecurity risks are not only a concern in terms of potential data breaches and the protection of sensitive customer information but also in the underwriting of cyber insurance policies, where the quantification of risk is still evolving.

These challenges are coupled with other industry-specific issues, such as the need to modernize legacy systems, compliance with

evolving regulations, and the increasing demand for personalized insurance products, making the current period one of the most transformative eras in the history of the insurance sector.

As suggested by McKinsey reports¹, the insurance industry will continue to face persistent challenges in the upcoming years, as well as uncertainty, such as high inflation and volatile macroeconomic environments.

8 Key challenges

the commercial insurance industry is facing today:

1. Digital Transformation of Core Legacy Systems

Modernizing and integrating new technologies with existing legacy systems poses a significant challenge, requiring substantial investment in resources and strategic planning. Migration to cloud platforms might be the most significant technology initiative launched by insurers over the past few years. However, many are still struggling to achieve cloud's full business value beyond cost savings and efficiency gains. Insurers should already be taking steps to overcome lingering legacy obstacles and core system interoperability challenges, to amplify system capabilities while making data more accessible and actionable; then leverage cloud as a driver of innovation, differentiation, and growth.



2. Risk Assessment and Underwriting Challenges

The dynamic nature of risk, influenced by factors like cybersecurity and evolving regulations, requires innovative and accurate risk assessment and underwriting processes.

3. Open Insurance – Data quality and compliance

Open Insurance legislation could potentially force insurers to modernize their data structures for it to be shared with third-party providers. Open Insurance is still in its early stages of development, and there is no single, comprehensive regulatory framework governing it. However, several countries have taken steps to promote open insurance, including:

→ European Union

The European Insurance and Occupational Pensions Authority (EIOPA) has published a discussion paper on open insurance, which explores the potential benefits and challenges of the concept. EIOPA is also working on guidelines for the development of open insurance APIs.

→ United Kingdom

The UK government has announced plans to introduce a "Data Empowerment and Transparency regime" that could include provisions for open insurance.

→ Australia

The Australian Digital Economy Strategy includes a commitment to promoting open data and standards, which could support the development of open insurance.

4. Upskilling Employees with New Digital Skills

As the industry evolves, there is a growing need to equip employees with new digital skills and continuous learning opportunities.

5. Claims Processing and Fraud

Challenges in efficiently processing claims and detecting fraud, particularly as fraudulent tactics become more sophisticated, are a major concern.

Insurance fraud is costing insurers and policyholders around the world an estimated **\$80 billion each year**, making it a vast 'iceberg' of hidden financial pressures. To protect these stakeholders from suffering any costs due to fraudulent activity, efficient anti-fraud strategies must be employed in order to maintain their economic security. In conclusion, insurers will need to leverage more advanced analytics and AI to stay alert against constantly changing fraudulent tactics, including identity fraud, staged accidents or omitting information.

6. Talent Shortages and Workforce Challenges

The industry faces talent shortages and the need to attract new talent, exacerbated by a significant number of expected retirements and a lack of interest among younger generations in insurance careers.

7. Catastrophe Claims Management

Managing the surge of claims following large-scale disasters or catastrophic events is a critical challenge, especially with the growing impact of climate change and political unrest. 2023 has seen a worrying resurgence in ransomware and extortion claims, resulting in an uptick in costly incidents, demonstrating that although progress is being made, the threat posed by ransomware shows little sign of abating, according to [Allianz report](#) about cyber security trends and future cyber insurance market. Cybersecurity Ventures predicts the cyberinsurance market will grow from approximately \$8.5 billion in 2021 to \$14.8 billion in 2025, and exceed \$34 billion by 2031, based on a CAGR (compound annual growth rate) of 15% over an 11-year period (2020 to 2031) calculated.

8. Climate change and Environmental risk

As climate change escalates the frequency and severity of natural disasters, the commercial insurance industry is evolving to meet these environmental

challenges. Insurers are refining their risk models to better assess climate impacts on businesses and are introducing specialized policies for climate-related events such as floods, wildfires, and extreme weather. Concurrently, they're integrating sustainability into their underwriting, incentivizing eco-friendly business practices with more attractive premium rates.

- In the U.S., the National Association of Insurance Commissioners (NAIC) has established a Climate and Resiliency Task Force to serve as the coordinating NAIC body for discussion and engagement on climate-related risk and resiliency issues, including dialogue among state insurance regulators, the insurance industry and other stakeholders.
- The European Insurance and Occupational Pensions Authority (EIOPA) recommends insurers to take steps to mitigate the effects of climate change² by implementing dedicated adaptation measures in insurance products and offering premium-related incentives. However, EIOPA also reports that the EU insurance market generally appears to be at an early stage in its journey to increase resilience to global warming.

Highlights

Insurance has been facing various risks and challenges since the pandemic. Economic volatility and inflation necessitate a long-term, strategic approach, while skill shortages present a more immediate hurdle, yet one that can be addressed through partnerships and vendor relationships. With a landscape of other persistent challenges, the implementation of robust solutions is key to management. In this context, **technology emerges as a pivotal tool, but it must be complemented by adaptive changes in people management and a customer-centric focus to stay ahead of evolving demands and competitive pressures.** Success depends on deploying the right strategies to leverage these digital advancements effectively.



1.2 Opportunities



Building Trust:

How Insurers are Transforming Customer Engagement and Societal Impact

According to the 2023 Edelman Trust Barometer³, Financial Services ranks next to last with a neutral trust rating of 59 out of 100.

Looking at the average retention rate⁴ in the Insurance Industry, there is still place for improvements that involve better customer experience and communication.

Insurers are implementing a multi-faceted approach to rebuild and enhance trust and are looking to **leverage advanced technology to provide more personalized services and clearer policy guidelines**. Efforts are also being made to improve the clarity and responsiveness of customer interactions, aiming to simplify the claims process **and make it more transparent**. Beyond individual customer interactions, insurers are actively engaging in societal efforts, such as **mitigating social injustice and promoting inclusive socio-economic practices**. Collaborations with local governments, regulators, and policymakers are being developed to address financial disparities and build solutions for emerging challenges like climate change and pandemics. These partnerships also aim to improve access to affordable healthcare, demonstrating the industry's commitment to societal well-being.

3. The study features people from 28 countries, 32,000+ respondents, and around 1,150+/- per country.

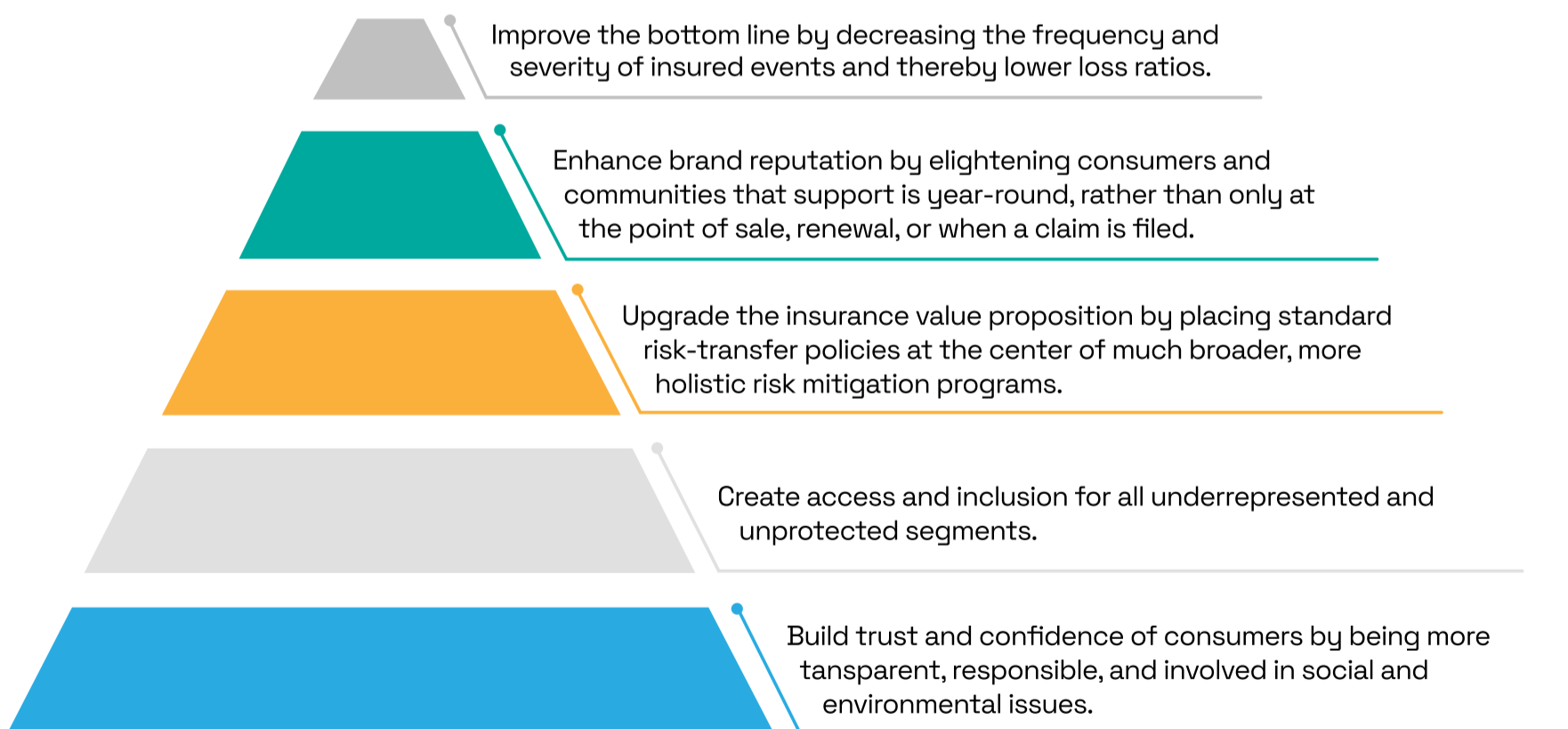
4. The average retention rate for the insurance industry in the US is 84 percent, while insurance has higher customer acquisition costs than any other industry.



Transitioning to Preventive Insurance

The landscape of the insurance industry in 2024 is one characterized by dynamic change and adaptation, shaped by the increasing severity and frequency of global risks, such as climate change and cybercrime. Such external factors are transforming the insurance industry making it more proactive and preventive.

Deloitte made an analysis that highlights what steps should commercial insurance companies take to become more responsive and preventive.



This heightened focus is not just about responding to incidents after they occur, but increasingly about proactively preventing losses before they happen. Insurers are recognizing the value of investing in preventative measures, risk assessments, and education to reduce the likelihood of risks materializing.

Furthermore, there is a growing emphasis on collaboration with businesses, individuals, and public entities to foster a culture of preparedness and resilience, which can ultimately reduce the financial impact of disasters and strengthen the social fabric against future threats.

As outlined by Deloitte's 2024 Global Insurance Outlook⁵, the Insurance industry is pivoting towards a more dynamic and responsive model. This evolution presents several key opportunities.

8 Key Opportunities

for Insurance Industry to become more responsive and preventive:

1. Transition to Preventive Measures

Insurers are increasingly investing in preventative measures and risk assessments, shifting from reactive responses to proactive loss prevention. This strategic change not only aligns with the industry's role as a "financial safety net" but also emphasizes the development of new products and services that incentivize risk mitigation.



2. Evolving to Holistic Insurance Protection

As insurers move beyond conventional risk-transfer models, there's a growing trend towards becoming holistic protectors of policyholders, businesses, and society at large. The integration of embedded insurance and the expansive use of parametric insurance offer innovative avenues for customer engagement and tailored risk management. Despite the slower uptake in North America, the global expansion of parametric insurance is undeniable. It offers a valuable solution for insuring risks that are otherwise challenging to cover under traditional models. As the industry evolves, it's likely that we'll see continued innovation and adaptation, making parametric insurance more feasible and widespread, even in regions like North America where its implementation is currently more complex.

3. Customization and personalization

There are already a few insurance companies that are offering policies that are specifically tailor to a business's unique risk and requirements. For example, a popular auto insurance provider, offers highly personalized policies based on actual miles driven, yielding significant cost savings for low-mileage drivers. Enhanced data collection and analytics are empowering insurers to deeply understand a company's operations, enabling precise risk assessment and the provision of more relevant coverage. This trend towards tailored policies allows businesses to acquire insurance that specifically caters to their unique needs, enhancing risk management and optimizing costs.

4. Market Growth through InsurTech

The specialty insurance market, energized by InsurTech innovations and a hard market cycle, is forecasted to experience substantial growth. Market projections estimate an increase from \$81.5 billion in 2022 to \$130.1 billion by 2027. This growth is fueled by the need to address increasingly complex and frequent catastrophic events.



5. Shifting towards digital solutions and cutting-edge tech

Technologies such as artificial intelligence (AI), machine learning (ML), blockchain, and robotic process automation (RPA) are at the forefront of creating personalized and efficient risk management solutions. These technologies enable insurers to provide more accurate risk assessments and to develop more adaptable and responsive insurance products, delivering solutions that are not only personalized and efficient but also significantly faster, cheaper, and more resilient to the ever-evolving market dynamics. In addition, insurers are leveraging online portals and mobile apps to streamline customer experience and allow businesses to easily purchase and manage their policies.

6. Data Explosion from Connected Devices

Connected devices, and intelligent systems will become ubiquitous in commercial insurance, offering real-time data for improved customer experience and better risk management. Insurers are leveraging this data to develop new product categories, tailor pricing more personally, and deliver services in real-time. For instance, in auto insurance, telematics data from vehicles can lead to more accurate pricing models based on individual driving behaviors.

7. Adapting commercial insurance to new business models

For example, the rise of sharing economy businesses has created a new set of risks that require specialized coverage for companies operating in this space. Similarly, as autonomous vehicles become more common, insurers will need to develop products that cover risks associated with self-driving cars and other forms of automated transportation. New business models will present challenges for insurers, but they will also open up opportunities to create innovative solutions that meet the needs of businesses.

8. Embracing ecosystem partnerships

This collaborative approach aims to deliver more comprehensive solutions to businesses, fostering innovation and improving risk management. For instance, an insurer might partner with a technology firm to create an automated safety compliance system tailored for a specific industry. Alternatively, they could collaborate with data aggregators to gain access to real-time operational data, leading to more accurate risk assessments. These ecosystem partnerships enable insurers to provide integrated solutions that help businesses manage their risks more effectively and optimize their insurance costs.

Highlights

In conclusion, the insurance industry's challenges are also its catalysts for growth and innovation. By seizing these opportunities, insurers can strengthen their market position, enhance customer trust, and contribute positively to societal resilience against future threats.

1.3 Trends and Technology Priorities in 2024

Insurance companies anticipate that the challenging and volatile macroeconomic conditions will significantly affect growth and profit margins in 2024. These external pressures necessitate a strategic shift in technology, talent management, and customer expectations. Insurers are therefore focusing on driving efficiency improvements and adapting their business models, products, and corporate culture to remain profitable and competitive.



Tammy Richardson, European Regional Leader at WTW, Insurance Consulting and Technology, emphasizes that the search for sustainable growth is a driving force behind the operational changes. The need to stay relevant and survive in a fast-evolving market landscape is prompting organizations to reevaluate their approaches and embrace technology-driven solutions.

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Key Technology Priorities in 2024:



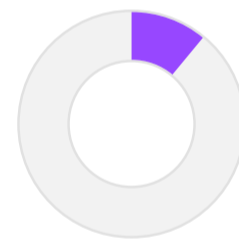
Data Collection and Management:

- Recognized by **19%** of insurers as the top priority.
- Essential for streamlining operations and informed decision-making.



Customer Experience Improvement:

- Highlighted by **15%** of respondents.
- Critical for maintaining competitive edge and customer satisfaction.



Digital Transformation in Underwriting and Pricing:

- Identified by **11%** of insurers as a crucial area.
- Important for risk assessment accuracy and market responsiveness.

Survey Methodology: The data for this report was sourced from a poll conducted on October 19, 2023, at the European Insurance Leaders' Forum in Brussels. Insights were gathered from 75 industry leaders across more than 45 companies, offering a comprehensive view of the industry's direction for 2024.

Highlights

The insurance industry is poised for a pivotal year in 2024, with data collection and management, customer experience enhancement, and digital transformation for underwriting and pricing being identified as the top technology priorities by industry leaders.

As companies prepare to navigate the anticipated economic challenges of 2024, these priorities will guide their efforts to optimize operations, meet customer needs, and achieve sustainable growth amidst the evolving industry dynamics.

5 Key Trends

that every commercial insurance company should embrace:

1. Increasing Use of AI

AI is being increasingly used for analyzing large data sets for risk assessment and premium setting, as well as automating routine tasks. This shift is expected to significantly enhance efficiency in the insurance industry.

2. Focus on Risk Management

There is a growing emphasis on proactive risk management, especially for SMEs facing complex risk landscapes. Insurance companies are offering services to help identify and mitigate potential risks beforehand.

3. Greater Use of Data and Analytics

Insurers are leveraging data and analytics to better understand their clients, automate processes, and more accurately price risk. This trend is crucial for making informed underwriting, risk assessment, and pricing decisions.



4. Embrace the Rise of InsurTech

InsurTech companies are revolutionizing the insurance sector by using technology to streamline the commercial insurance value chain. These companies provide digital platforms for classifying clients, updating data, and customizing policies, thereby significantly increasing ROI for insurance carriers.

5. Integrating ESG into Insurance DNA

Making ESG part of its core values is becoming an important attribute of any successful financial institution in the future: integrating ESG strategy into core capabilities such as investment processes, product innovation, underwriting and workforce management. As environmental concerns continue to gain prominence, insurers are likely to incorporate sustainability factors into their risk assessments in 2024.

1.4. How can commercial insurance companies prepare for these upcoming changes?

→ Explore AI

Increase their knowledge about AI technology and trends.

→ Develop an AI implementation plan

Building on the insights from AI explorations, commercial insurance companies must decide how to use technology to support their business strategy. This plan should address all four dimensions involved in any large-scale, analytics-based initiative—everything from data to people to culture (see picture below)



→ **Create and implement a complex DATA Strategy.**

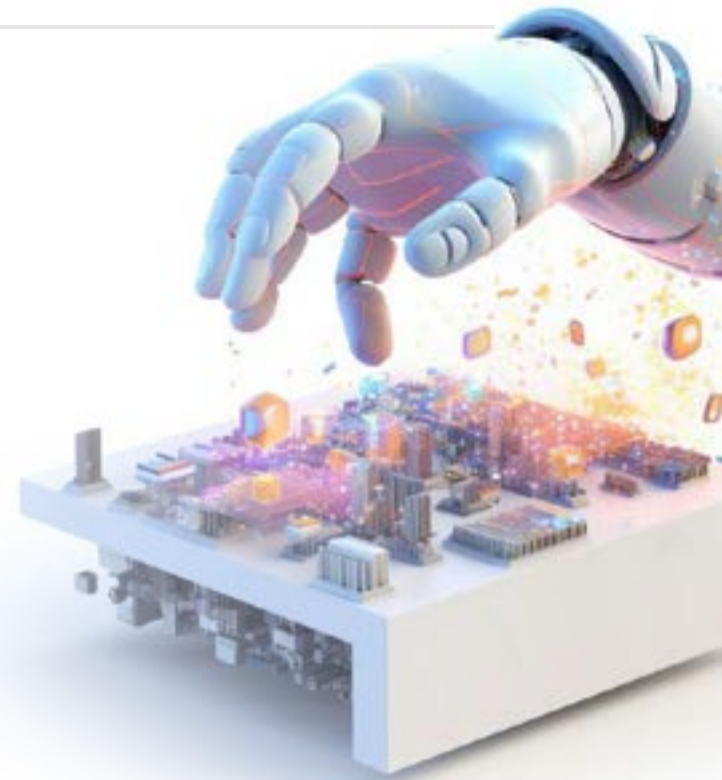
Acknowledging that Data is becoming the most valuable asset for any organization and that AI technologies are performing their best when they have a high volume of data from a variety of sources would be an essential first step to develop a well-structured and actionable strategy with regard to both internal and external data. The complex data strategy will need to include a variety of ways to obtain and secure access to external data, as well as ways to combine this data with internal sources. Overall, insurers should be prepared to have a comprehensive procurement strategy that could include the direct acquisition of data assets and providers, licensing of data sources, use of data APIs, and partnerships with data providers.

→ **Build digital talent and migrate to digital tech infrastructure**

As mentioned in the challenges chapter, insurers should start making strategic investments to enable the migration to a more future-forward technology stack that can support a two-speed IT architecture. Moreover, to drive value from the AI use cases of the future will require commercial insurers to integrate skills, technology, and insights from around the organization to deliver unique, holistic customer experiences.



2. Commercial Insurance – A Data Driven Industry with Artificial Intelligence (AI) at its core



2.1 AI in commercial insurance



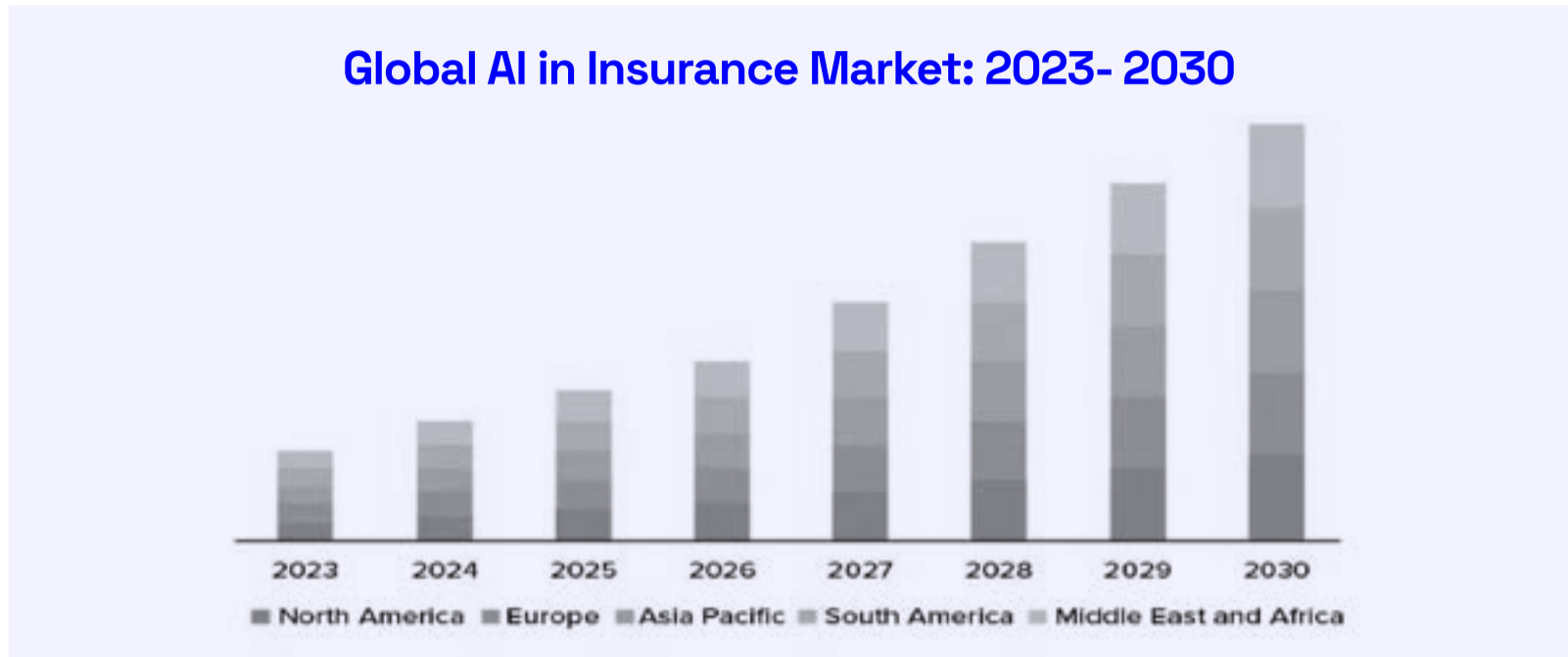
“AI enables insurers to enhance their value proposition by better predicting and therefore preventing risks,”

Michael Bruch, Global Head of Risk Consulting Advisory Services, Allianz Commercial.

As a data-driven industry, insurance is not new to artificial intelligence (AI) or using data analytics across its value chain to improve products, interactions, prevention, claims and processes. According to several studies, the industry is among those with the highest value potential from AI.

The latest EY CEO and Consumers Outlook Pulse Global Survey highlights that 60% of consumers globally are open to using AI for everyday tasks and data analysis. This enthusiasm is matched by insurance leaders’ strategies, with 52% of CEO insurers set to ramp up their AI investments in the next year.

This reflects a trend where insurers are actively evolving to meet consumer demands, integrating AI to enhance the efficiency and personalization of their services.



McKinsey foresees AI technologies could add up to \$1.1trn in potential annual value for the global insurance industry.

7 High-impact AI Use Cases

in the commercial insurance market:

1. Underwriting and Product Benchmarking

AI is radically transforming underwriting, utilizing advanced data ingestion and integration to fortify risk selection and price optimization. It's not just about efficiency; it's about setting new industry standards for accuracy, enabling underwriters to foster competitive advantage and market leadership. Furthermore, product benchmarking is advancing, leveraging AI to establish new benchmarks that propel firms to the forefront of market leadership.

2. Claims Processing

AI's role in claims processing is dual-fold. On one side, it's dramatically accelerating the notification and handling of loss events. On the other, it's enhancing fraud detection. This twin-engine approach is instrumental in diminishing the prevalence of fraud, yielding cost savings, and solidifying customer confidence.

3. Better Risk Assessment

AI's ability to analyze vast amounts of historical data will enable commercial insurance companies to assess risks more accurately, removing the layer of human bias or inaccuracy from manual filing. By examining a policyholder's comprehensive data, location, and other relevant personal information with insightful insurance analytics software, insurers can tailor policies to individual needs. This results in better pricing and more satisfied customers.

4. Information Technology

Cybersecurity within the insurance sector is being reinforced by AI's capability to analyze operations data, monitor for external attacks, and document such incidents for compliance purposes. Beyond security, AI's versatility shines through its ability to generate and harmonize code in diverse programming environments, thereby future-proofing IT infrastructure.



5. Marketing and Customer Service

AI is playing a pivotal role in capturing and analyzing customer feedback, discerning behavioral patterns, and performing sentiment analysis. This data can be used to tailor interactions with virtual sales and service representatives, thus enhancing the customer experience and the credibility of chatbots in resolving complex issues.

6. Finance, Accounting, and Risk

AI is instrumental in preserving organizational knowledge and enabling real-time document analysis and summarization. It is also crucial in monitoring market and investment trends, providing granular insights into financial and operational performance. Moreover, AI can be used in developing educational content and interactive training for compliance and risk management, ensuring that teams remain informed about the latest regulations.

7. Human Resources

The deployment of AI in HR processes is enriching training and development curricula and materials, streamlining performance management, and facilitating the generation of internal ratings. Knowledge management and policy search processes can also be enhanced, leading to more effective policy implementation and governance.

Highlights

In the commercial insurance market, these AI applications are not only incremental improvements; they represent a leap forward in strategic capability and competitive positioning. With AI, the insurance industry is not just adapting to a new era; it's actively shaping the future of risk management and customer engagement.

Which Areas in Commercial Insurance Will AI Impact the Most in 2024?

AI in commercial insurance will impact:



Highlights

In this context, AI-driven data emerges as an essential factor, offering indispensable benefits such as significantly enhancing risk assessment, customer service, fraud detection, and the personalization of policy offerings.

This transformative impact of AI depends on the availability of high-quality data. With reliable and rich data at its core, AI enables insurers to analyze complex risk scenarios with unprecedented precision, offer highly personalized insurance products, and engage with customers through more intuitive and responsive channels.

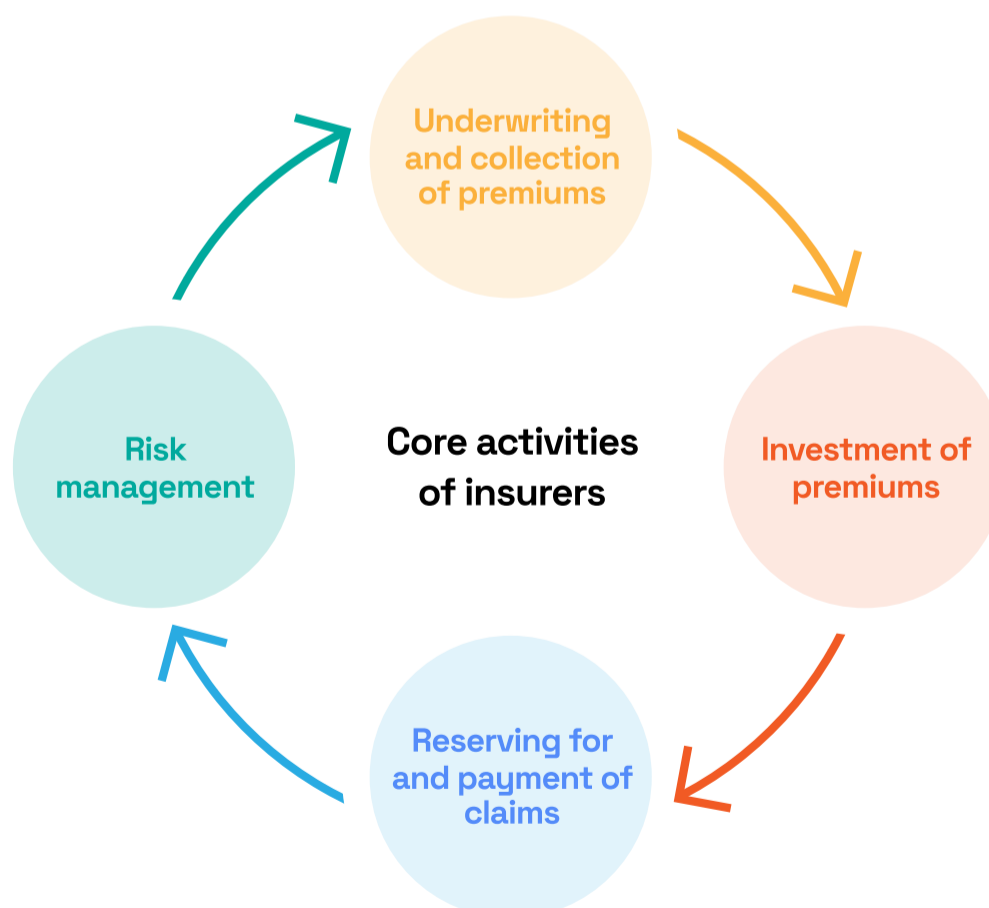


2.2. The importance of accurate, reliable, and actionable DATA in commercial insurance

Core activities in commercial insurance

The main activities of a commercial insurer include operations like underwriting, channel maintenance (agency/broker/digital), claim management and investing.

Commercial insurers must engage in underwriting to assess and price the risks of potential clients adequately. They also need to manage claims effectively, ensuring that legitimate claims are paid out promptly while mitigating the risk of fraud. Moreover, they have to ensure compliance with regulations, maintain financial stability to cover potential claims, and provide customer service that supports clients before, during, and after the sale of an insurance policy.



Underwriting is a fundamental aspect of an insurer's operations, essential to the first task of any commercial insurer which is - **pricing and assuming risk**. It stands as the initial step for insurers, where they assess risk and set premiums accordingly.

Effective underwriting, therefore, is the cornerstone of a profitable insurance operation. It is a predictor of success, ensuring that premium income exceeds the cost of claims. This delicate balance is not static; it requires ongoing analysis and adjustment to maintain profitability in a landscape that is continually shaped by economic, environmental, and social factors.

Insurance underwriters, along with the actuaries who create statistical models of future losses, create the underwriting system that determines to whom an insurance provider will offer coverage.

Beyond the science of risk pricing, **insurers recognize that their real product is the management of claims.** When a policyholder files a claim, the insurer's reputation is on the line. Each claim must be meticulously processed and verified for accuracy before payment is issued. This due diligence is vital to weed out fraudulent claims and minimize financial loss, thereby safeguarding the insurer's profitability and operational integrity.



Commercial Insurance underwriting involves assessing the factors that determine a potential customer's risk profile. The specific factors depend on the type of insurance you're applying for. These are the most common factors:

- Type of business
- Age of business
- Financial characteristics (size, sales, assets)
- Prior financial behavior (credit score, bankruptcies)
- Condition of property
- Prior insurance claims
- Safety / security systems
- Loss-prevention practices

The point is, underwriters assess diverse types of business data to determine whether their company should collaborate with a potential business and at what insurance premium.

For business data to become a source of knowledge and support decision-making for an insurer in all aspects of its activities it has to be accurate, reliable, and actionable.

The complex **underwriting, claims management** and **renewal** processes represent a critical time for both **commercial insurers** and **business customers**, where accurate and up-to-date data is essential to ensure appropriate coverage and risk management. However, these processes are often hindered by significant data challenges that affect the efficiency and effectiveness of renewal strategies for insurers and create a time-intensive burden for business customers.



3. Navigating Data Challenges in Commercial Insurance

A Path to Reducing Churn and Enhancing Customer Experience

3.1. Data challenges in commercial insurance

In the modern era of insurance, data acts as the cornerstone for achieving operational excellence, managing risk effectively, and meeting escalating consumer demands. However, leveraging this data wealth comes with its own set of challenges. Despite having access to vast amounts of data, insurance companies often struggle to harness the full potential of data insights and data governance.

Our partnerships with leading insurance firms have revealed certain recurring challenges in the commercial insurance industry. We will further expand into the main factors that lead to data challenges for insurers and provide an insightful analysis of these obstacles.

3 Factors that lead to data inefficiencies

in commercial insurance:

1. Multiple Data Sources that result in Data Silos

The insurance industry has traditionally interacted with its stakeholders through a multitude of channels. These range from call centers and forms to more contemporary avenues like mobile apps and chatbots.

While these channels cater to customer preferences, they also produce an assortment of data sources that are difficult to integrate, leading to data silos. Within organizations, disparate business units often operate in isolation, with no standardized business intelligence practices, leading to inconsistencies, inefficiencies, and restricted growth due to poorly integrated analytical solutions.

2. Inconsistency in Data Entry and Management

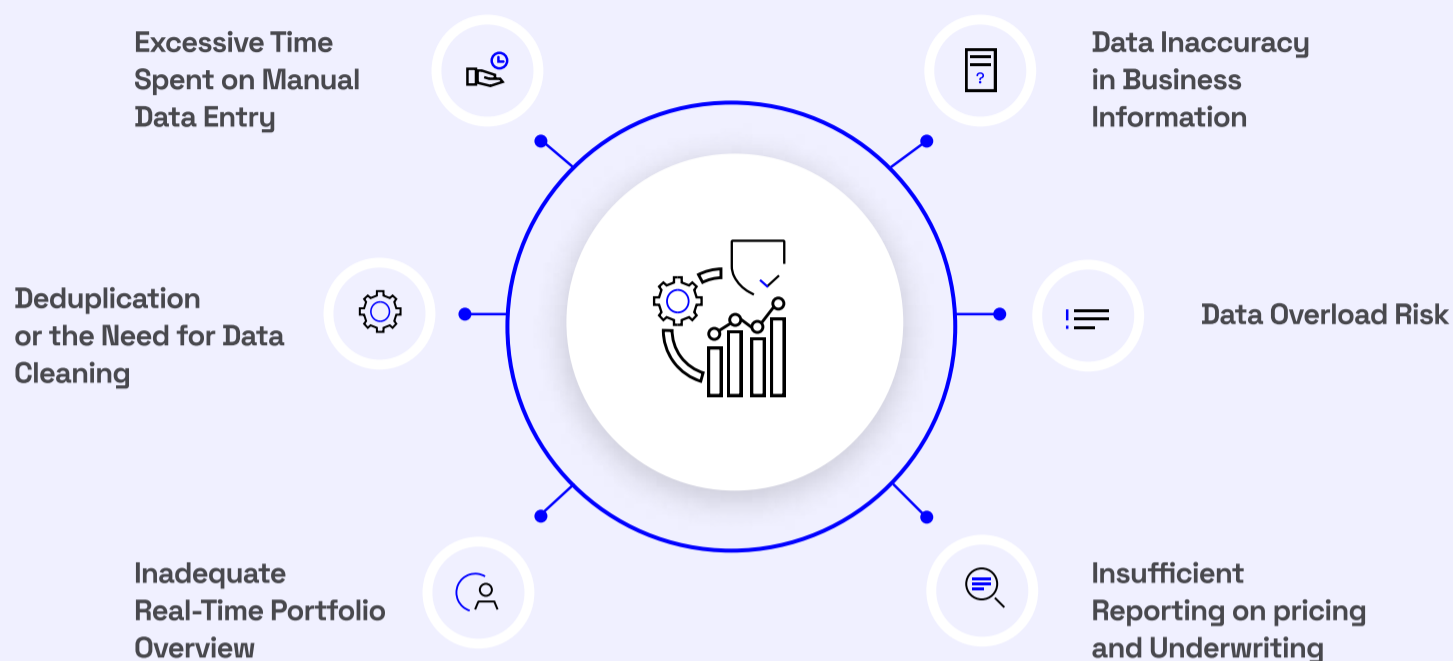
The accuracy of predictive models and analytics hinges on the precision of the underlying data. However, **data is frequently entered manually by various operators**, leading to errors such as missing details and incorrect categorization. The explosion of data from IoT applications exacerbates this issue, demanding robust enterprise data management strategies that can seamlessly blend new streams of data with legacy customer and policy records. This inconsistency in data management undermines the reliability of analytical outputs and hampers effective decision-making.

3. The Challenge of Lagging Data

Today's insurtech landscape is riddled with unstructured data spread across disparate systems. **Each insurance product has its own data lifecycle, complicating the task of aggregating, cleansing, and synthesizing data.** This leads to delays in making the data available to relevant stakeholders in a timely and comprehensible manner. **Outdated IT infrastructures further compound this problem.** The result is a fragmented view of customers, ineffective cross-departmental collaboration, and protracted data reconciliation processes that delay decision-making, inflate costs, and complicate marke



Key Data Challenges Faced by Commercial Insurers



■ Excessive Time Spent on Manual Data Entry

The practice of re-entering data increases the likelihood of errors, impacting data reliability.

■ Deduplication or the need for Data Cleansing

Insurers must effectively identify and correct erroneous data while eliminating duplicate records. This task, crucial for ensuring data accuracy and reliability, becomes increasingly complex with the expanding volume and variety of data.

■ Inadequate Real-Time Portfolio Overview

Data fragmentation across different departments leads to challenges in obtaining a unified, real-time view of portfolios.

■ Insufficient Reporting on Pricing and Underwriting

Factors like data silos, outdated systems, and complex data contribute to inadequate regular reporting.

■ Data Overload Risk or the Risk of Overlooking Crucial Information

The vast volume of data makes it challenging to extract relevant information, raising the risk of missing key details.

■ Data inaccuracy in Business Information

On the first hand, insurers often face challenges in obtaining and maintaining this crucial data, impacting the effectiveness of their renewal strategies.

3.2. Analyzing the inefficient Process of Manual Data Gathering

Insurance is still largely dependent on a painfully slow, archaic process of gathering and submitting paperwork.

A McKinsey report found that 30% of an agent's workday is spent processing and dealing with paperwork, and that insurance professionals who rely on automated workflows to do the work on their behalf can improve efficiency by up to 80%.

Data points that might seem simple or straightforward to gather can actually consume a significant portion of an underwriter's workday. This paradox arises from the sheer volume of individual actions and meticulous work required to acquire, verify, and document each piece of information.

Useful Data points in the Commercial Underwriting process to build Business Profiles

Here are some examples of these "easy to gather" data points, that might actually be the hidden time thieves in an underwriter's workday:

→ Industry and Business Information:

- Nature of the business (e.g., manufacturing, retail, technology, etc.).
- Business Activity Classification (NAICS or SIC).
- Business Years in Operation.
- Business size and revenue.
- Primary and secondary location of the business.



→ Liabilities and Exposures:

- Liability risks include public liability, product liability, and professional liability.
- Any potential environmental or hazardous material exposure.

→ Annual Revenue and Financial Data:

- Annual revenue or income.
- Financial statements, including profit and loss statements and balance sheets.

→ Location and Property Details:

- Information about the physical location(s) of the insured properties.
- Construction details and occupancy type.

→ Environmental Compliance.**→ Employees and Payroll:**

- The number of employees and their job roles.
- Total payroll expenses.

→ Loss Control Measures:

- Any risk management or loss prevention measures in place.

→ Loss Control Measures:

- Financial statements, including profit and loss statements and balance sheets.
- Total payroll expenses.
- Construction details and occupancy type may impact the potential for damage or loss.

On average, it typically requires 60-90 minutes of manual effort for an underwriter to collect the necessary data points for a business profile. However, if the insurers aim to deep dive into more specific details, such as payroll expenses and loss prevention measures, it could extend to several hours of additional research.

Moreover, the sheer volume of data to be reviewed and assessed can be overwhelming. For large commercial insurance portfolios or when dealing with numerous applications simultaneously, manual data collection can lead to bottlenecks, increased operational costs, and, potentially, lost business opportunities.

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All in all, the manual approach is not only time-consuming but also susceptible to errors, inaccuracies, and outdated information.

The Solution: Veridion Match & Enrich API



90% of the data points mentioned above are available through the Veridion Match & Enrich API in approximately 1.5 seconds, starting from simple inputs like a business name, address, or website link.

Manual data gathering.

Time Spent Time 60-90 Minutes

Time Spent 80-90%

Veridion business data enrichment.

Time Spent Under 1 minute

Time Spent 95%

3.3. The Risks of Inaccurate Data in Commercial Insurance



Case Study:

The risks of overlooking a customer's relocation

Imagine an IT company that relocates its offices to a high-rise building with a restaurant on the top floor. This change of address, if not updated or overlooked, poses several risks:

→ **Increased Fire Risk:**

The presence of a restaurant, especially on a higher floor, increases the risk of fire, which may not be accounted for in the original policy.

→ **Liability Concerns:**

Being in a building with more tenants, especially one with public access like a restaurant, raises the liability risks due to higher foot traffic and the potential for accidents.

→ **Asset Valuation:**

The value of assets at the new location might differ significantly, affecting the amount of coverage required.

→ **Access and Emergency Services:**

The new location might have different access points and distance to emergency services, impacting the risk profile.

Conclusion

In our scenario, if the IT company fails to update its address, or the insurer overlooks this change, the company could end up with a policy that does not reflect its current risk profile. This oversight can lead to inadequate coverage in the event of a fire or other incidents, potentially resulting in substantial financial losses and legal complications.

→ Implications for commercial insurers

Insurers often face challenges due to data inaccuracies, particularly concerning business activities and addresses. Research indicates that an average of 45% of insurers' commercial customers have inaccuracies in critical areas, such as business activities and addresses.

The process of underwriting is largely dependent on the data provided by the applicant manually by filling up regular forms. There is always a possibility of the applicant being dishonest or making mistakes that may lead to inaccurate risk assessment.

→ Implications for Business Customers

On the flip side, business customers find themselves entangled in a web of inefficiencies due to manually completing time-intensive renewal paperwork, leading to a snowball effect.

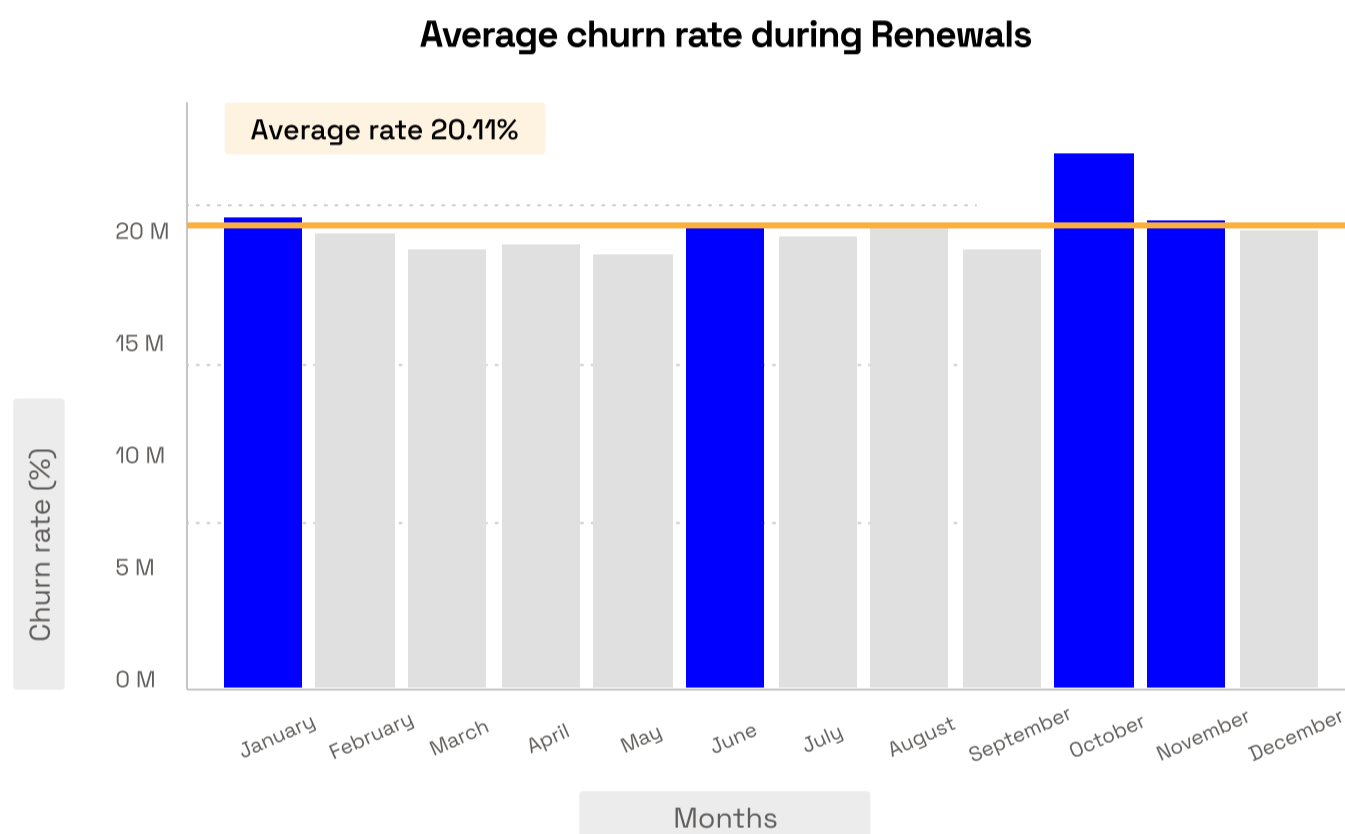
A staggering 25% of mid-market businesses (from 400 mid-market businesses surveyed) report spending over two hours on renewal paperwork, spotlighting the process's inefficiency.

Moreover, statistics say that 14% of insurers' commercial customers don't even receive renewal reminders from their insurers. This lack of efficient communication and process optimization not only strains customer relations but also poses a risk to customer retention.



→ The impact on Churn Rates during the Renewal process

Typical commercial insurance renewals happen in January or in June to July and the process typically starts 3 months before the renewal date. **This is why March, April, and October are the busiest months and they coincid with significant fluctuations in renewals and churn rates.** During these months, the volume of renewals consumes substantial resources, leaving brokers and insurers with limited capacity to address other business areas. This strain on resources during peak periods leads to a heightened risk of data-related errors and inefficiencies.



Data inaccuracies significantly contribute to increased churn rates, particularly during peak renewal periods like March, April, and October. In 2022 alone, the average churn rate (policies taken to market) was 19.7%, with October witnessing an alarming spike to 23%. This spike illustrates the increased pressure of high renewal volumes experienced during that month.

This rise in churn can be attributed to the compounded pressures of managing high volumes of renewals, coupled with the inherent inefficiencies of current data management practices.

1. How can Commercial Insurers improve the retention rate and optimize the commercial insurance process?

4.1 Improving the due diligence in Commercial Insurance – Enable a risk monitoring solution with Veridion

Today's insurers are aware that by improving their use of existing data, such as augmenting it with external data sources can help drive new client and marketplace insights, improve efficiency, competitiveness and decision making, and enhance the client experience.

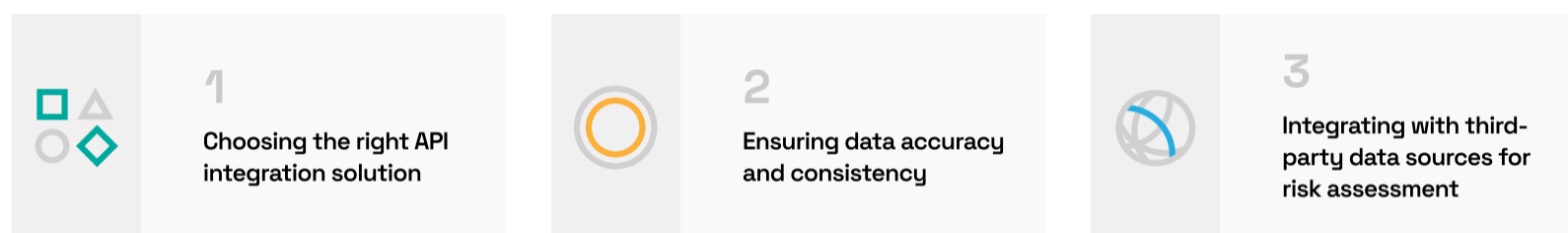
Moreover, by leveraging real-time data from various sources, insurers can gain a comprehensive view of a business's risk profile, allowing them to make better-informed decisions.

Better risk assessment through API integration

API integration can enable insurers to tap into a vast array of external data sources to assess policyholders' risk profiles accurately. By integrating with third-party APIs, such as real-time data providers like Veridion's API, insurers can gain valuable insights to determine policy renewal terms and pricing. This not only improves underwriting accuracy but also helps in reducing exposure to potential losses and maximizing profitability.

Successful renewal process management with API integration offers numerous benefits for insurers, including streamlined processes, improved data accuracy, enhanced customer experience, and informed decision-making. By integrating with third-party data sources, insurers can optimize their renewal management practices and stay ahead in the competitive insurance landscape.

Best Practices for a Cutting-edge Renewal Process with API Integration



Here's how decision-grade data sharing through API integration enhances risk assessment and underwriting in commercial insurance:

1. Accurate entity validation and risk profiling

Accurate and up-to-date data with API integration from third party providers allows insurers to gather and incorporate really fast diverse data sets into their analysis such as credit history, financial statements, and industry-specific risk factors. This comprehensive view of a business's risk profile enables insurers to better understand potential risks, leading to more accurate underwriting decisions.

2. Dynamic risk assessment

As data is continuously updated, it allows insurers to dynamically assess operational risk and adjust coverage accordingly. This means that insurers

can promptly respond to changes in a business's risk profile, ensuring coverage remains optimally tailored to current conditions.

3. Improved pricing accuracy

With data sharing, insurers can gain a deeper understanding of the risks associated with a specific business. This allows them to accurately price policies based on the actual risk levels, rather than relying on generic industry benchmarks. As a result, insurers can offer competitive pricing to their clients while maintaining profitability.

4. Increased conversion rates

Data sharing streamlines the underwriting process by reducing the time and effort spent on gathering and analyzing data. This enables insurers to make faster underwriting decisions, providing a better customer experience and better conversion rates.

5. Improve Model Accuracy and Accelerate Model Development

Insurers can leverage the data sets and use advanced analytics and predictive modeling techniques to identify trends and potential risks more effectively. These insights allow insurers to make better-informed decisions in underwriting policies, leading to more accurate pricing and risk assessment.



“The underwriter of the future is going to be much more data and analytic driven than they are even today. You see that happening right in front of us in the industry. And so, it's going to be a much more tech-driven role as we move forward,”

[Kirstin Marr, President, Insurity Valen Analytics.](#)

Providers like Veridion, with their advanced AI capabilities and API Search solutions, can offer decision-grade data to optimize the entire commercial insurance process, which includes operations like underwriting, claims management and renewal.

9 Key Uses Cases

of Veridion's decision-grade data in Commercial Insurance:

1. Cutting-edge Quote to Bind

Veridion's Match & Enrich API accelerates the quote to bind process by rapidly pre-filling and validating applicant data from minimal input, leading to faster policy issuance.

2. Proactive Policy Management

Veridion's API supports real-time monitoring of changes in policies, locations, and product types, enabling insurers to adapt policies promptly to changing customer circumstances.

3. Enhanced Customer Experience

The Match & Enrich API, which can generate a full business profile from just a name and an address, speeds up the quote to bind process. This rapid data pre-fill and validation improve the accuracy of applicant data.

4. Enhanced Risk Assessment

Veridion's decision-grade data enables insurers to conduct up-to-date evaluations of risk profiles. This feature facilitates automatic monitoring of changes in underwriting risks and business activities, ensuring policies are always aligned with current needs. Moreover, Veridion's data is updated



5. Reduced Premium Leakage

Veridion's comprehensive business profiles allow for real-time premium adjustments based on current business performance and risk factors, thereby improving fairness in pricing.

6. Reduced Churn Rates

The main reason for reduced churn rates is the ability to offer a simplified customer experience for clients, automating much of the manual work and reducing costs per user.

7. Actuarial Modelling

Access to Veridion's accurate data on millions of businesses worldwide strengthens actuarial modeling, enabling insurers to refine pricing and improve loss ratio models.

8. Claims Processing

The AI-powered APIs enhance the automation and accuracy in claims validation, thus improving efficiency in claims management.

9. Operational Efficiency

The API's ability to pre-fill and validate applicant data minimizes manual intervention, significantly streamlining the renewal process. The average return time on the Match & Enrich API is less than one second, showcasing exceptional efficiency in data processing.



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