



Navigating Data Challenges in Commercial Insurance and Optimizing the Renewals Process

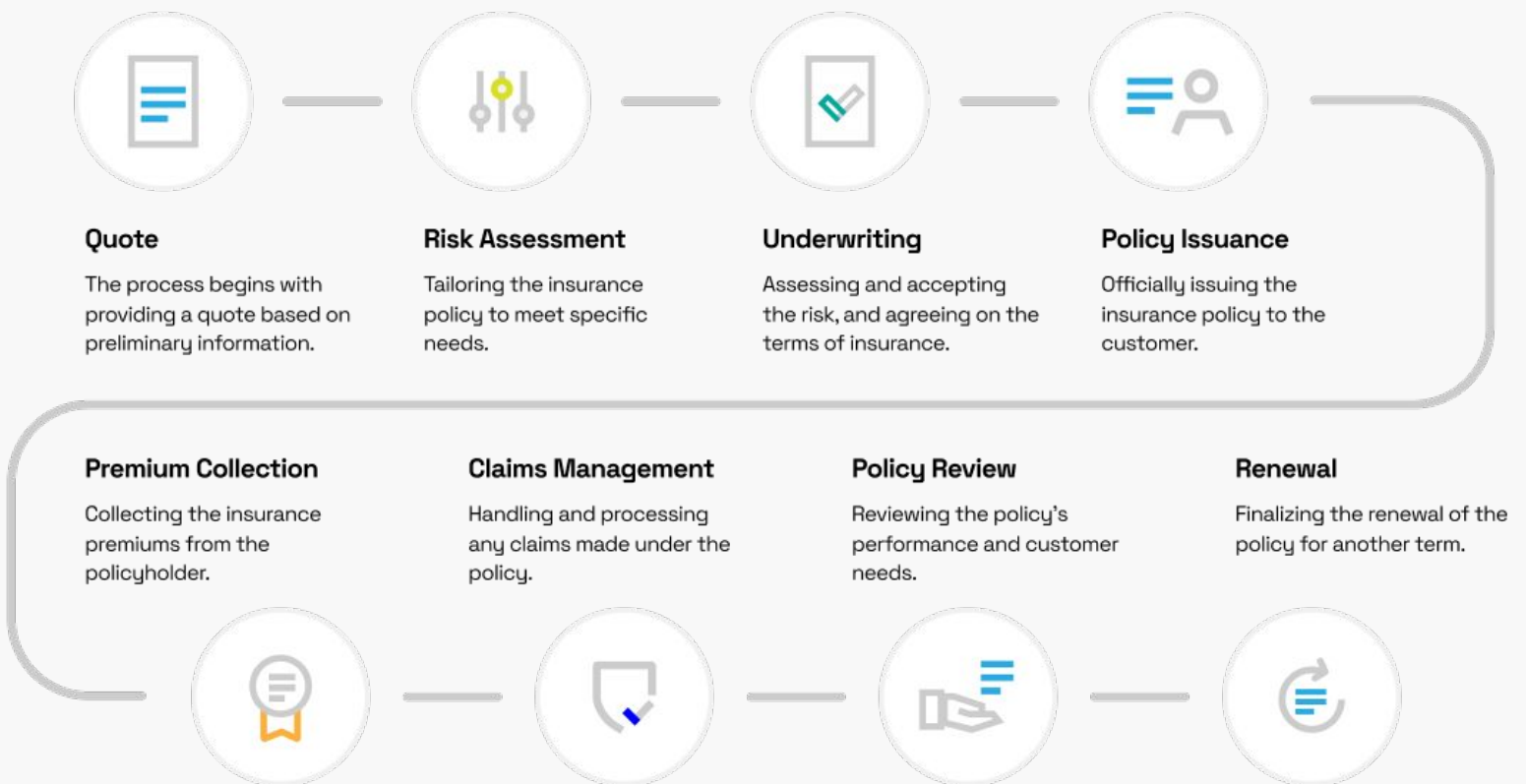
A Path to Reducing Churn and Enhancing Customer Experience for the Renewals Process



In our last report

We deep dived into the transformative impact of Veridion’s intelligent business data in optimizing the commercial underwriting process. Building on this foundation, this report ventures further into the complex commercial insurance landscape, focusing specifically on the renewal process. The goal of the report is to highlight the huge importance of accurate and up-to date-data to elevate operational efficiency, streamline decision-making, and enhance customer satisfaction during renewals.

Commercial Insurance Process Flow



Insurance Renewal Process: Addressing Data Challenges for Insurers and Business Customers

The insurance renewal process is a critical time for both insurers and business customers, where accurate and up-to-date data is essential to ensure appropriate coverage and risk management. However, this process is 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.

Key Data Challenges Faced by Insurers during the Renewal Process



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

Key Data Challenges Faced by Insurers during the Renewal Process

- ➔ **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- ➔ **Insufficient Reporting on Pricing and Underwriting:** Factors like data silos, outdated systems, and complex data contribute to inadequate regular reporting.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.

*Insurers often face challenges due to data inaccuracies, particularly concerning business activities and addresses. [Wenalize](#) research indicates that an **average of 45% of insurers' commercial customers have inaccuracies in critical areas, such as business activities and addresses.***

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 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.



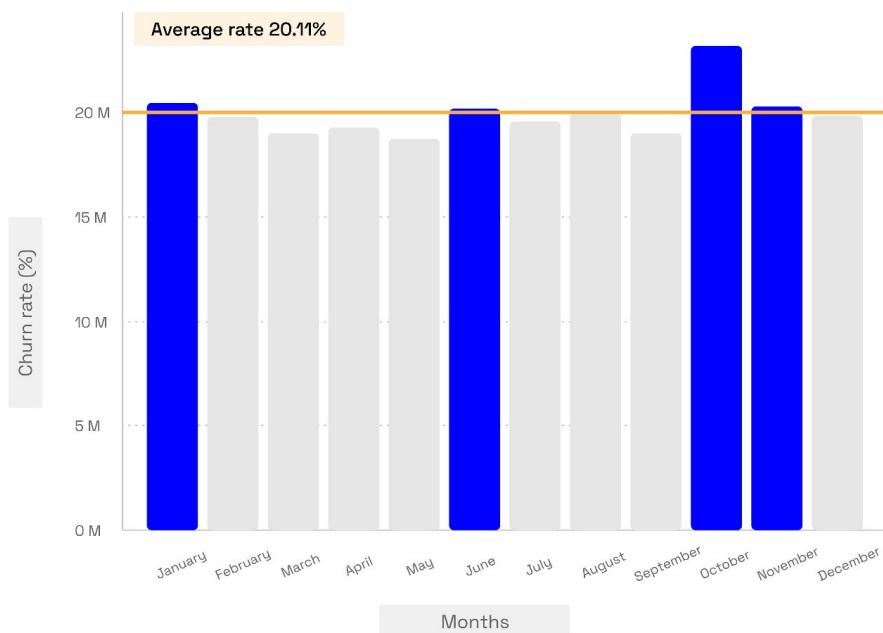
Data challenges significantly contribute to increased churn rates

However, these data challenges are not standalone issues; they are not only impacting the insurers' strategies but are also correlated with heightened churn rates.

→ Analysis of Peak Renewal Periods and Churn Rates

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 coincide 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.

Adjusted Commercial Insurance Churn Rates in 2022



Data challenges 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.

Annual Business Data Dynamics and Their Impact in Insurance Renewal Process

A lot of changes happen within a business during the course of a year. Even the smallest development or change in a company's operations could cause a gap in coverage.

The insurance renewal process must be thorough and attentive to accurately reflect these changes. However, due to the large volumes of data involved, insurers and risk managers face the risk of overlooking such crucial updates, potentially leading to significant coverage gaps or inaccuracies. This highlights the importance of efficient data management and proactive communication between businesses and insurers. Businesses must be diligent in reporting changes, and insurers must develop more effective strategies to manage and process data, ensuring that insurance policies are aligned accurately with the current status of the business.

Key Business Data that can change during a year and Associated Risks

- **Changes in Operations:** Alterations in a business's services, products, or operational risks are critical. Neglecting to update these changes can result in insurance policies that no longer align with the company's current risk profile, leaving it underinsured.
- **Staffing/Payroll Changes:** Changes in employee numbers or payroll levels directly impact insurance requirements, particularly in areas like workers' compensation. Inaccurate staffing data can result in either overpaying or underinsuring.
- **Property Changes:** Upgrades or improvements to business property, if not reported, can lead to scenarios where the insurance coverage is insufficient to cover the enhanced value or the specific risks associated with the new property features.
- **Revenue Changes:** Fluctuations in business revenue affect insurance limits and premiums. Overlooking these changes could lead to a mismatch in policy coverage, particularly in liability insurance.
- **New Equipment:** Acquiring new equipment requires inclusion in the insurance policy. Failure to update this can leave the new assets unprotected, posing a significant financial risk in the event of damage or loss.
- **Ownership/Business Structure Changes:** Significant changes such as a shift in ownership, business name, or structure require thorough reassessment of the insurance policy. Overlooking these could lead to legal and compliance issues.
- **Territory Changes:** Expansion into new territories introduces new risks and legal requirements. Without updating these changes, businesses might find themselves non-compliant with regional insurance regulations.
- **New Contracts:** New contracts can change a company's liability and risk profile. Neglecting to account for these can leave the business exposed to unanticipated risks.
- **Business Vehicles/Drivers Changes:** Changes in business vehicles or drivers should be promptly reflected in commercial vehicle policies. Failure to do so can lead to inadequate coverage in case of vehicular accidents.



Case Study: Overlooking an IT Company'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.
- ✓ **Asset Valuation:** The value of assets at the new location might differ significantly, affecting the amount of coverage required.
- ✓ **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.
- ✓ **Access and Emergency Services:** The new location might have different access points and distance to emergency services, impacting the risk profile.

Conclusion: Overlooking an IT Company's Relocation

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.

The Risks of Inaccurate Data in Insurance Renewal Processes



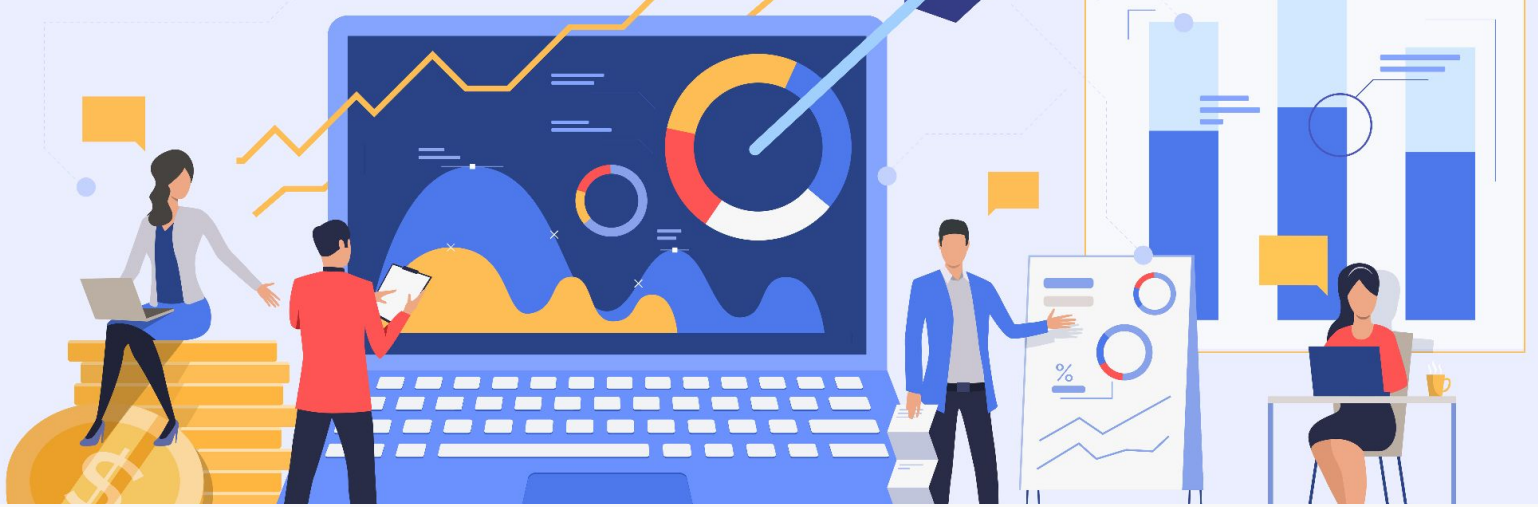
The renewal of commercial insurance policies is a complex process that requires precise data regarding a business's operations, location, assets, and risks.

Failure to update or accurately capture this information can lead to mispriced policies, inadequate coverage, and significant financial and legal repercussions.

Commercial insurance renewal is a process that involves collecting, analyzing and gaining insights from large amounts of detailed data sets.

To effectively run the renewal process for a business customer, certain types of data sets are particularly valuable. This data provides a detailed understanding of the customer's business operations, risks, and financial health.

Let's analyze what the required data sets include and the risks of having inaccurate information:



1

Business and Legal Information (Names, Company Type, Year Founded, Industry Category)

- ➔ **Misidentification and Legal Risks:** Inaccurate names, company types, and industry categories can lead to legal disputes and non-compliance with regulatory requirements.
- ➔ **Risk Assessment and Premium Miscalculation:** Incorrect information in these categories can result in misaligned risk assessments and premium calculation errors.
- ➔ **Reputational and Fraud Risks:** Consistency in the business name, type, and industry category across legal documents and public-facing platforms is crucial for brand recognition and trust. Discrepancies can lead to confusion among customers and stakeholders, damaging the business's credibility.
- ➔ **Challenges in Claims Processing and Policy Renewal:** Discrepancies can complicate claims processing and renewal processes.

Around 20% of small businesses are misclassified in insurance categories, leading to premium discrepancies. Also, studies show that legal non-compliance due to misclassification can increase litigation costs by up to 30%.



2

Location and Contact Information (Location Data, Phone Numbers, Email Addresses)

- ➔ **Compliance and Coverage Gaps:** Inaccurate location data can lead to non-compliance issues and coverage gaps. For example a business expanding into a high-risk area like a flood zone, if not updated, can lead to inadequate natural disaster coverage.
- ➔ **Operational Inefficiencies and Communication Barriers:** Incorrect location and contact details hinder efficient policy management and effective communication.
- ➔ **Fraud and Reputation Risks:** Misleading location and contact information increase the risk of fraud and can harm the insurer's reputation.
- ➔ **Cyber insurance - Missed Opportunities for Digital Risk Management:** In today's digital age, assessing a company's digital footprint, including its website, is crucial for managing digital risks effectively. A business's expanding digital presence, if unnoted, can overlook crucial cyber risks, which account for a significant portion of modern insurance claims.



3

Financial and Operational Metrics (Revenue Estimates, Employee Count)

Financial misreporting has been found in approximately 10% of mid-sized businesses, affecting their insurance coverage adequacy.

- ➔ **Premium Miscalculation and Compliance Risks:** Inaccurate financial and operational metrics can lead to incorrect premium calculations and compliance issues.
- ➔ **Coverage Adequacy Issues:** Misjudged employee count or revenue estimates can result in inadequate or excessive insurance coverage.

Misreported financials contribute to approximately 25% of premium calculation errors in small businesses.



4

Technological and Product Insights (Technology Insights, Product Name, Description, UNSPSC Classification)

- ➔ **Risk Assessment Challenges:** Incorrect information in these areas leads to flawed risk assessments, particularly in cybersecurity and product liability. Insurers might offer a policy that either overestimates or underestimates the required coverage, potentially leaving critical risks uninsured or resulting in higher-than-necessary premiums.
- ➔ **Underwriting and Claims Handling Inefficiencies:** Incorrect or outdated product information creates complications in the underwriting process, as insurers rely on this data to determine policy terms and premiums. This could lead to delays in policy issuance or renewal, and complexities in claims processing if the claimed loss involves products not accurately reflected in the policy.
- ➔ **Compliance and Operational Risks:** Misrepresentation or inaccuracies in product data can result in non-compliance with industry-specific regulations, leading to legal and operational risks.
- ➔ **New product liability risk:** A bookstore selling electronic gadgets would significantly alter its risk, needing additional coverage like product liability insurance.



5 Sustainability and ESG Factors (ESG Commitments, ESG News, SICS Classification)

- ➔ **ESG Risk Profiling Inaccuracies:** Lack of detailed ESG data leads to incomplete understanding of ESG risks, impacting underwriting and investment decisions.
- ➔ **Regulatory and Reputational Risks:** Missing ESG information can result in non-compliance with emerging regulations and reputational damage. For example, a company found to be misreporting its environmental compliance could face public backlash, affecting customer loyalty and investor confidence

Companies with strong ESG profiles have up to 20% lower risk profiles, affecting insurance terms.



6

Industry and Insurance Classifications (SIC, ISIC, NACE, IBC, NCCI)

- **Global and Regional Compliance Challenges:** For businesses operating internationally, accurate classification in systems like ISIC is crucial to ensure compliance across different national regulations. Misclassification can complicate cross-border trade and expose the business to legal risks in foreign markets. Inaccurate classifications in these systems can lead to compliance issues in different regulatory environments.
- **Underwriting and Market Analysis Impairments:** Insurance underwriting relies heavily on accurate industry classification to assess risks and determine appropriate premiums, as well as for market segmentation and developing tailored insurance products. Misclassification can lead to either overpricing or underpricing of insurance policies, affecting the insurer's profitability and the insured's cost efficiency.

Improving the due diligence in renewal – Enable better risk monitoring 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.



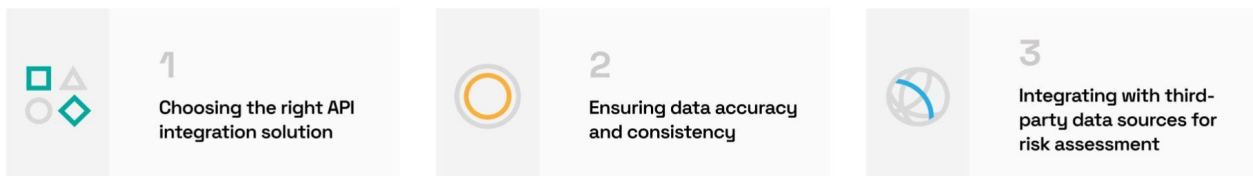


API integration with third-party data sources for risk assessment


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/ Veridion's API platform* 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



Source: [FasterCapital – Policy Before Renewal](#)



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.

Providers like Veridion, with their advanced AI capabilities and API Search solutions, can offer decision-grade data to optimize the commercial insurance process.

7 Key Uses Cases of Veridion's decision-grade data in Commercial Insurance:



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.



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.



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.



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.



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.



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.



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 weekly which ensures that the risk assessments are always based on the most current information.

“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.”

stated Kirstin Marr, President, Insurity Valen Analytics.

Get in touch with us



Drew Doherty

Vice President,
Commercial Growth

drew.doherty@veridion.com



Riyaz Nakhoda

Vice President,
Customer Solutions

riyaz.nakhoda@veridion.com



Caroline Schweppe

Insurance Tech Adoption Consultant

caroline.schweppe@veridion.com

