


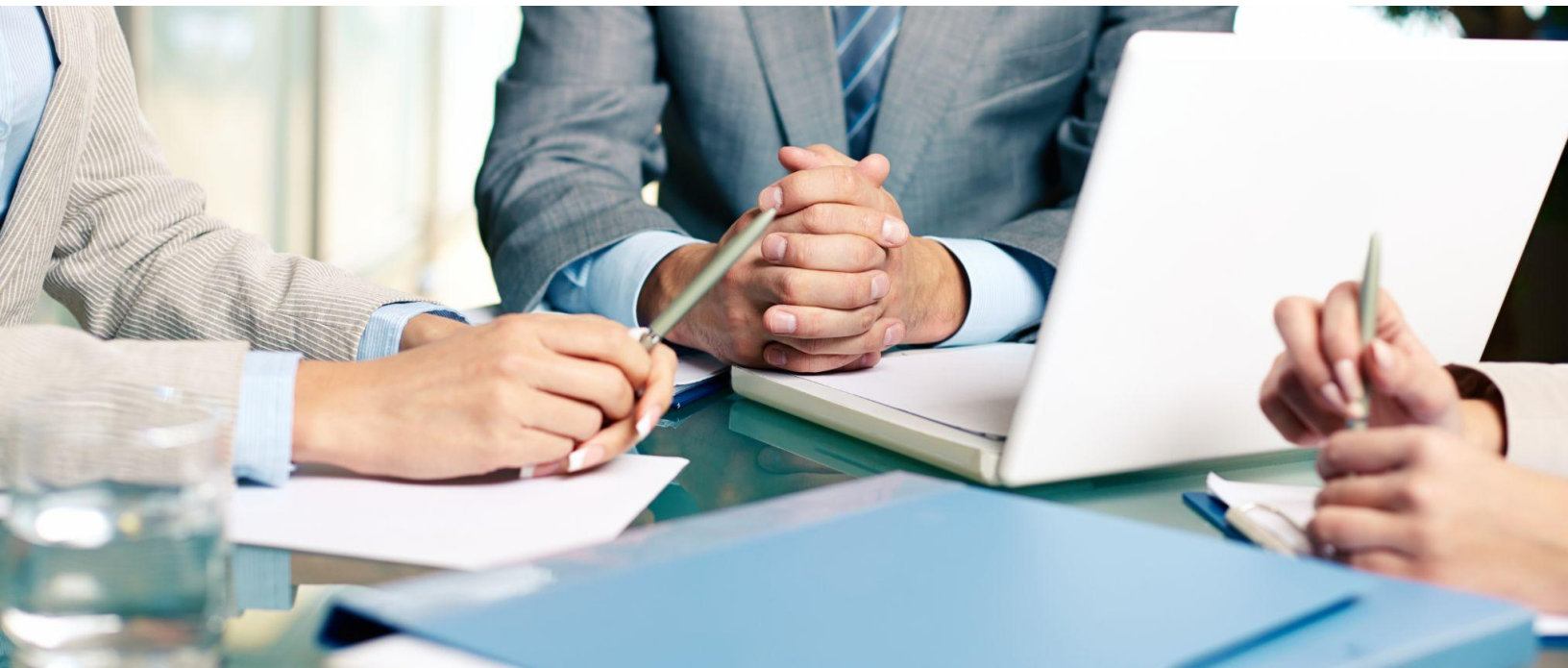


Veridion™

Operational efficiency in the underwriting process - **Key to profitability**



Streamlining the underwriting process in
Commercial Insurance



What is commercial insurance underwriting?

Commercial insurance underwriting is the procedure of evaluating the risks associated with insuring a business and determining the terms, conditions, and pricing of that coverage. The underwriter analyzes various factors about the business, its operations, financial health, industry, and other related risks and then decides whether to approve the policy and at what premium.



What are the challenges of commercial underwriters?

For commercial insurance underwriting, the comprehensiveness of data required presents a multifaceted challenge. It's not just about gathering enough **data** but ensuring it's **relevant, accurate, and timely**. Addressing this challenge is essential for insurers to accurately assess risks, price policies appropriately, and maintain the trust of their business customers.

Let's dive into some of the main challenges of commercial underwriters:



Volume and Diversity of Data: Commercial enterprises can range from small local businesses to vast multinational corporations. The data required to assess the risks associated with a corner store is vastly different from that needed for a global manufacturing conglomerate. **The volume and diversity of data needed for commercial underwriting can be overwhelming.**



Manual Processes: Due to the comprehensiveness of data required, many insurers still rely on manual methods to gather, verify, and analyze information. **This not only slows down the underwriting process but also increases the potential for errors.**



Complex Risk Assessment: Beyond just gathering data, **underwriters need to understand the complex risks that a business might be exposed to.** This can include industry-specific risks, geopolitical considerations, supply chain vulnerabilities, and more.



Accuracy and Timeliness: Businesses evolve - they may expand, diversify, change operations, or even shift industries. The data that was accurate a year ago might not be 100% true today. **Ensuring that the data is both current and accurate is a significant challenge in commercial underwriting.**



Integration of Various Data Sources: Commercial insurers often need to pull data from multiple sources - financial statements, industry reports, regulatory filings, and more. **Integrating and making sense of this varied data in a coherent manner can be challenging and time inefficient.**






Claims Complexity: In the event of a claim, the complexity of commercial operations can make it challenging to ascertain the validity of the claim, the extent of coverage, and the appropriate payout amount. **Detailed and accurate data is crucial to streamline the claims process and ensure fair settlements.**

How much time does an underwriter spend on average?

Businesses, especially larger ones, often expect **rapid decisions** on their insurance applications. Balancing the need for comprehensive data analysis with the expectation of quick turnarounds can put underwriters under significant pressure.



Traditionally, underwriters allocate approximately **14 hours weekly**, which equates to around **35% of their working hours**, on tasks that have the potential to be automated or delegated.

UW Activities		Select Tasks for Automation		Workhours Unlocked (% of Original Hrs ¹)
 Submission Triage	→	<ul style="list-style-type: none">• Submission triage• Compliance check• Sanctions check and documentation• Inbox management	→	3 Hrs. (8%)
 Risk, Selection, and Pricing	→	<ul style="list-style-type: none">• Rating model/entry• Exposure/CAT modeling• Underwriting rationale• Quote revisions	→	6 Hrs. (15%)
 Servicing	→	<ul style="list-style-type: none">• Data entry to policy admin system• Renewal list production• Bind order/issuing• Endorsement agreement	→	5 Hrs. (13%)



Manual Data Gathering for Commercial Underwriting

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.

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 Years in Operation.** The number of years a business has been in operation can be an important data point. A longer operating history can indicate stability. For instance, a restaurant with 10 years of successful operation may be seen as less risky than a brand-new startup.
- ➔ **Business size and revenue.**
- ➔ **Business Activity Classification (NAICS or SIC).** The North American Industry Classification System (NAICS) code identifies the industry in which a business operates. Different industries have varying risk profiles.
- ➔ **Primary and secondary location of the business** are important for evaluating geographical and property-related risks and liability risks. Finding secondary locations for companies with international presence can often be a big challenge for underwriters.

Liabilities and Exposures:

- ➔ **Liability risks include public liability, product liability, and professional liability.** Liability risks are important to evaluate because they represent potential financial obligations in the event of lawsuits or claims. Underwriters need to assess the scope and level of liability coverage required to protect the business from these risks.
- ➔ **Any potential environmental or hazardous material exposure.** Underwriters assess potential environmental risks associated with the business's operations. If the business deals with hazardous materials or has the potential to cause environmental damage, it can lead to significant liabilities. The underwriter needs to ensure that the insurance coverage is adequate to mitigate these risks.

Manual Data Gathering for Commercial Underwriting

Annual Revenue and Financial Data:

- **Annual revenue or income.** The business's annual revenue is a key indicator of its financial strength and stability. It is used to determine the appropriate level of business interruption insurance, property insurance, and overall liability coverage.

Employees and Payroll:

- **The number of employees and their job roles** impact various aspects of the business, including labor-related liabilities. For instance, a business with more employees may have higher workers' compensation insurance needs. The specific job roles also influence the types of coverage required, especially in terms of professional liability or errors and omissions insurance for certain roles.

Loss Control Measures:

- **Any risk management or loss prevention measures in place.** Effective loss control measures can reduce the frequency and severity of claims, which can potentially lead to lower insurance premiums.

Environmental Compliance:

- For businesses involving real estate or industrial operations, underwriters may examine environmental compliance records and potential liabilities.

Licenses and Permits:

- **Financial statements, including profit and loss statements and balance sheets.** This type of data provide insights into the business's financial health. They help underwriters assess the ability of the business to meet its financial obligations and its overall risk exposure.

- **Total payroll expenses.** Payroll expenses are a significant portion of a business's operating costs. It affects workers' compensation insurance premiums and can be indicative of a business's financial stability. Accurate payroll data is essential for calculating insurance premiums and ensuring proper coverage.

- **Construction details and occupancy type** may impact the potential for damage or loss. A commercial building with a fire-resistant construction and a low-risk occupancy (e.g. office space) may be considered less risky compared to a building with a higher fire risk or hazardous occupancy (e.g. chemical storage).

Location and Property Details:

- **Information about the physical location(s) of the insured properties.** The location's susceptibility to natural disasters, crime rates in the area, and proximity to fire departments or water sources all influence insurance pricing and coverage.

Manual Data Gathering for Commercial Underwriting

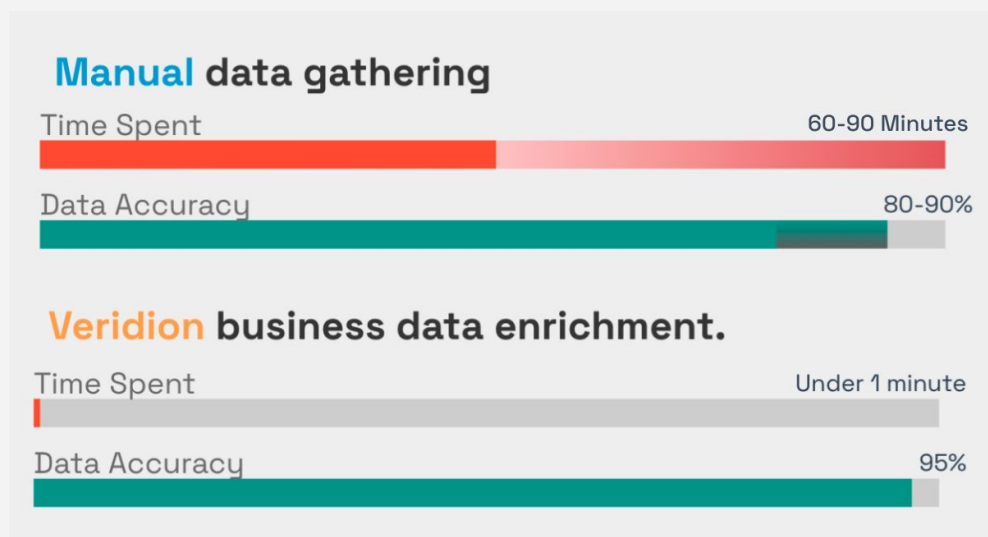
On average, it typically requires **60-90 minutes of manual effort** for an underwriter to collect these data points. However, if they aim to deep dive into more specific details, such as payroll expenses and loss prevention measures, it could extend to several hours of additional research.

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.

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.



Let's deep dive into the **key benefits of using Veridion Match&Rich API** to get rapid access to data in the underwriting process:



- ➔ **Speed and Efficiency:**
The Veridion Match&Enrich API accelerates the underwriting process by delivering a wealth of data within 1.5 seconds. This efficiency eliminates time-consuming manual searches and data entry, enabling underwriters to handle a higher volume of applications quickly.
- ➔ **Customization:**
The API can be tailored to retrieve specific, pertinent data points tailored to an underwriter's unique needs. It allows underwriters to prioritize critical information, ensuring well-informed decisions.
- ➔ **Competitive Advantage:**
Utilizing the Veridion Match&Enrich API provides insurance companies with a competitive edge. Swift data retrieval expedites underwriting processes, enhancing customer service by reducing waiting times for policyholders.
- ➔ **Accuracy and Reliability:**
The API ensures accurate and up-to-date data, boosting underwriters' confidence in their assessments. Reliable information reduces the risk of basing decisions on outdated or erroneous data, crucial for precise policy pricing and risk assessment.
- ➔ **Scalability:**
The API scales with underwriting workloads, adapting seamlessly to variations in volume. Whether handling a few applications or a large portfolio, it maintains speed and efficiency, empowering underwriters to manage diverse workloads effectively.
- ➔ **Accelerated Decision-making:**
With all necessary data at their fingertips, commercial underwriters can make faster and more informed decisions about policy terms and pricing.

Can technology optimize the underwriting process?

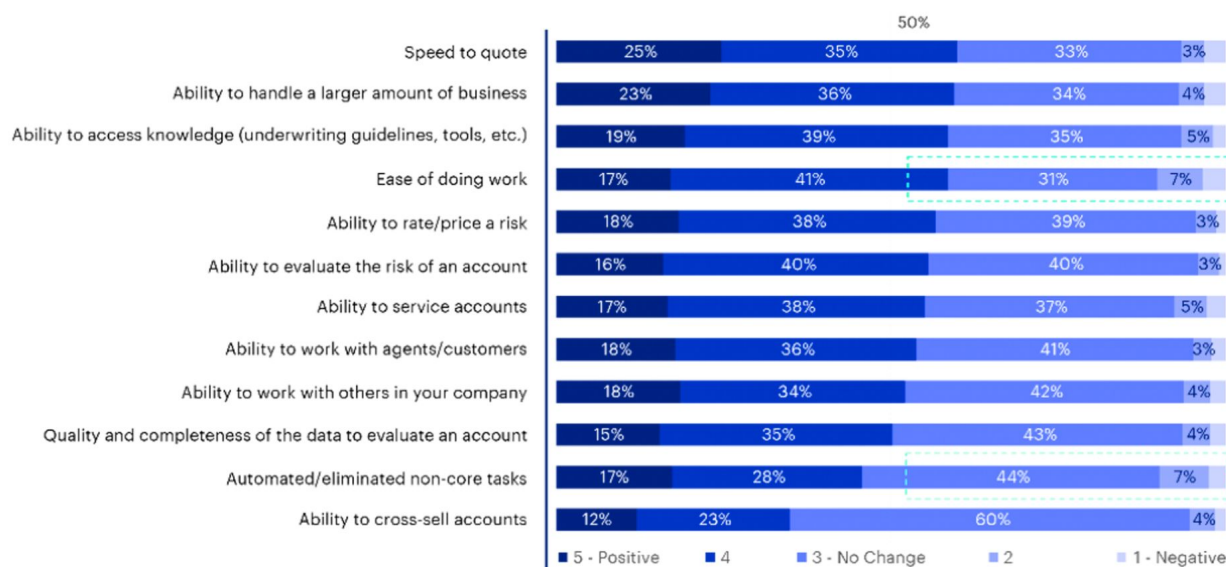
Not in the way you would have thought!

At a first thought you might think that technology and automation could enable underwriters to concentrate on more impactful tasks, including fostering relationships with clients and brokers, developing new areas of expertise, and more.

Let's look at the graphic below and see how using technology that provides the ability to use large language models at scale and pace is optimizing the underwriting process.

Effect of technology on underwriting performance

How have technology changes in your organization affected your underwriting performance?



Source: 2021 P&C Underwriting Survey

Number of responses = 434

The five areas where technology improved the underwriting process, in order, are:

- Speed to produce a quote
- Ability to handle larger amounts of business
- Ability to access knowledge
- Ease of doing work
- Ability to rate and price risk



Only 5% of underwriters think that technology has automated or eliminated the non-core underwriting tasks they perform.

Now, let's look at three areas where technology is **NOT having a high impact:**

- Evaluate the risk of an account
- Quality and completeness of the data to evaluate an account
- Eliminate non-core tasks

The way forward: Using third generation of digital tools in underwriting

Integration of external data sources

The third generation of digital tools in underwriting represents a holistic approach to risk assessment, leveraging the power of modern technology to make the underwriting process faster, more accurate, and more efficient.

One specific example of a third generation digital tool for optimizing the underwriting process would be the **Integration of external data sources, including business data, into the underwriting process for a comprehensive risk view.**



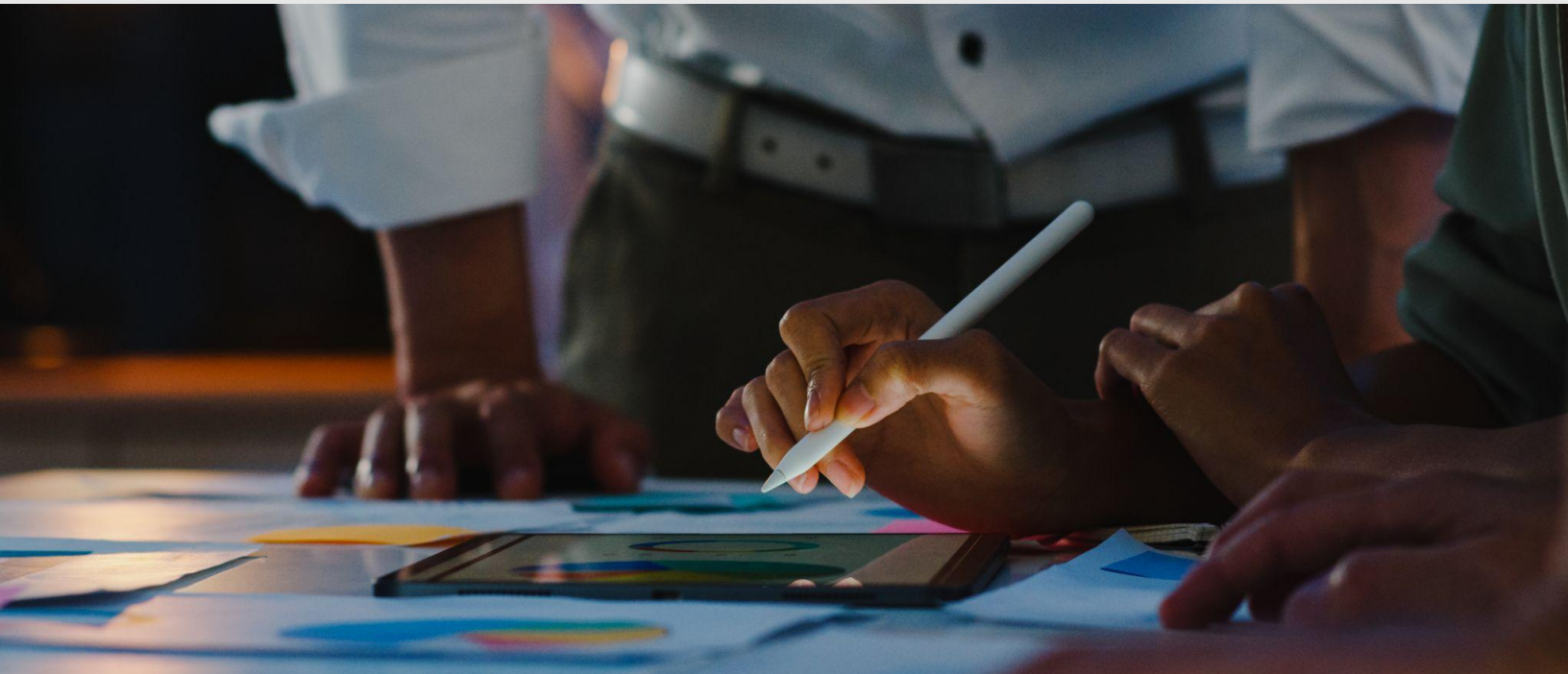
💡 Advantages:

1. Significantly faster underwriting process.
2. Enhanced accuracy in risk assessment.
3. Ability to handle vast volumes of data seamlessly.
4. Improved user experience for both underwriters and clients.

How to get efficient and streamlined underwriting operations with the help of a business data provider?

As the commercial landscape continues to evolve, insurers must seek innovative solutions. We saw that initiatives such as leveraging cutting edge technology to streamline and enhance the underwriting process fall short.

To optimize the Commercial Insurance Underwriting Process, many insurance companies could **embrace the collaboration with an external Business Data Provider.**



Leveraging accurate data from a Business Data Provider

For insurance companies, especially those dealing with commercial lines of insurance, business data can be of a great value. Let's list a few benefits of this collaboration:

- ➔ **Instant access to vast data:** External data providers often have access to vast databases that encompass a wide range of industries, regions, and sizes of companies. This allows insurers to get a comprehensive view of a business entity.
- ➔ **Time Efficiency:** Instead of spending time and resources collecting and verifying business data in-house, insurers can access ready-made, standardized datasets. This speeds up the underwriting process.
- ➔ **Tailored Insurance Products:** With insights from business data, insurers can design insurance products better suited for specific business categories or industries.
- ➔ **Enhanced Customer Segmentation:** By understanding the nuances of different businesses, insurers can segment their potential and existing customer base more effectively, leading to better targeting and personalization.
- ➔ **Regulatory Compliance:** Business data can help insurers ensure they are providing coverage compliantly, especially when dealing with industries that have specific regulatory requirements.
- ➔ **Cross-Selling and Up-Selling:** Understanding a business in depth can allow insurers to identify other potential areas of coverage that the business might need, leading to opportunities for cross-selling or up-selling.
- ➔ **Integration with Underwriting Systems:** Many B2B data providers allow direct integration with an insurer's existing underwriting systems. This seamless flow of data can automate many steps in the underwriting process.
- ➔ **Accuracy and Updated Information:** Maintaining up-to-date business data in-house can be challenging and resource-intensive. External providers specialize in this and often have mechanisms to regularly update and verify their data.
- ➔ **Risk Profiling and Assessment:** Business data can be used in assessing the risk associated with a particular business. For instance, a startup tech firm's risk might be different from an established manufacturing unit, and business data can highlight these distinctions swiftly. Also, a company's size, industry, and location can significantly influence its risk profile.
- ➔ **Competitive Analysis:** Insurers can analyze the market landscape, understand where they stand in comparison to competitors, and identify potential market gaps or opportunities.
- ➔ **Predictive Modeling:** With comprehensive business data, insurers can employ predictive analytics to forecast trends, identify potential high-risk sectors, or anticipate emerging markets.
- ➔ **Claim Verification:** In the event of a claim, having access to detailed business data can help insurers verify the legitimacy of the claim, especially if there's a need to confirm specific business details.
- ➔ **Scalability:** As the insurer grows and expands into new markets or sectors, having an external data provider ensures that they can scale their operations without being bottlenecked by data collection efforts.

Highlights

In summary, by leveraging a B2B business data provider, the commercial insurance underwriting process can be transformed from a lengthy, manual procedure to a swift, efficient, and highly accurate operation, cutting down the process time from days to just minutes.

Incorporating a B2B business data provider into the commercial insurance underwriting process can lead to the following optimizations:

- **Rapid Research Phase:** What traditionally took days of manual research and data gathering can be accomplished in minutes with instant access to business data.
- **Accelerated Decision-Making:** With all necessary data at their fingertips, underwriters can make faster and more informed decisions about policy terms and pricing.
- **Automated Processes:** Direct integration with underwriting systems can automate many steps, from initial data gathering to risk assessment, further reducing the time required.



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