Successfully Automating Small Business Underwriting

Sponsor:



Webinar Start Time: 2:00pm EST

There currently is no audio but please be sure to have the volume turned up on your computer to hear the audio once the presentation begins.

A FEW THINGS TO KNOW

- Volume: Be sure to have the volume turned up on your computer to hear the audio for this webinar.
- Questions: To ask a question about the content of the presentation during the event, you may use the Q&A panel located in the bottom right corner of your screen. We'll be leaving time at the end of the presentation to answer them.
- Problems: If you encounter a problem during today's webinar, please send us a message in the Chat panel located in the right column of your screen.
- Presentation and Recording: A copy of the slides and a recording of today's webinar will be posted at www.riskandinsurance.com. We will email links to all attendees.
- A copy of the slides will be posted on the Risk & Insurance® website.





THANK YOU TO OUR SPONSOR







SPONSOR: VERISK

- Verisk is a leading data analytics provider serving customers in insurance, energy, specialized markets and financial services.
- Verisk draws on unique data assets and deep domain expertise to provide first-to-market innovations that are integrated into customer workflows.
- Verisk offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, global risk analytics, natural resources intelligence, economic forecasting, and many other fields. Around the world, Verisk helps customers protect people, property, and financial assets.
- Visit <u>www.verisk.com</u> to learn more about the company's portfolio of products and services.



PRESENTER



Tracey Waller
Product Director, Small Commercial
Underwriting for ISO| Verisk

Moderator:



Dan Reynolds
Editor-in-Chief
Risk & Insurance®









Defining Small Commercial Market definitions can vary greatly; determinant is appetite

<100

<100 employees

<6M

<\$6M in revenue

\$10M

\$10M premium

\$300k

\$300k payroll location

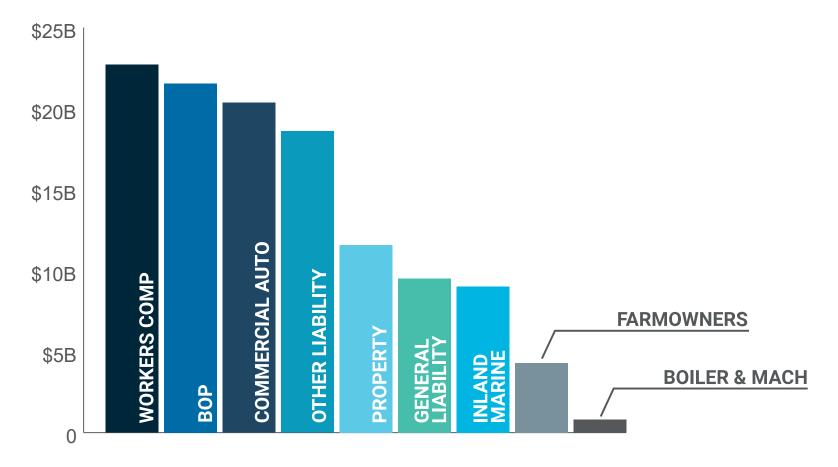
All of the above?







More than BOP...



Source: ISO MarketStance v 18.0, 2017 data

^{**}Specialized products include D&O, Med Mal, IM, Farm Owners, and Professional liability





Why focus on Small Commercial?



Record of growth and profitability — less complex risks have attractive loss ratios and are prime for automation; blueprint from personal lines



Fragmented



94% of small businesses likely to stick with their current carrier



...But, over 17% of small businesses shop around every year

Source: McKinsey And Company, Small Commercial Insurance: A Bright Spot In the U.S. Property- Casualty Market





Many small businesses are uninsured Significant new market opportunity

99.9%

30.2 million small businesses account for 99.9% of all businesses and 54% of all sales in the United States

\$15-20B

40% do not carry insurance — \$15 to \$20 billion untapped BOP market opportunity (even more for small commercial)

25%

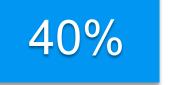
25% of Americans have a "side hustle" and only 12% carry insurance for the business

Source: Insurance Journal News





...And many small businesses are underinsured Significant upsell and cross-sell opportunity



40% of small business owners believe their personal insurance provides sufficient coverage for their business

42%

42% of small business owners do not know what cyber liability insurance is

18%

18% do not carry any form of liability insurance

Source: Entrepreneur.com





Foundation for successful automation





Speed

Scale



Quality

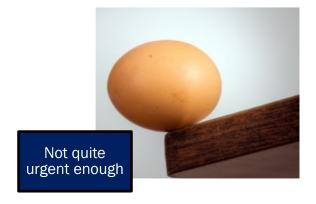
Reduce premium leakage, right-price, attract agents, reduce touchpoints for profitable growth





So why not automate today? Some of the most common feedback





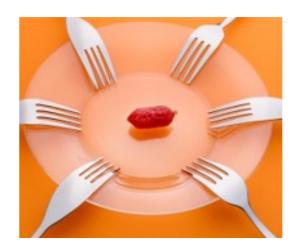








Lack of resources



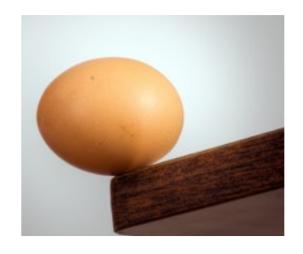
- Competing priorities
 - Resources are available, but not enough to successfully execute
 - IT/tech is allocated elsewhere
- Lack of expertise

Doing nothing very often has a cost...





Not quite urgent enough



- Seen as a future initiative
 - "5-year plan"
- No significant immediate pain, and agents "know" the process
- Not yet seeing high levels of attrition to carriers that are more automated

Slow movement can have the same impact as no movement





Risk of failure



- View that business model is unproven
- Fear that firm isn't prepared for success
- Closest competition might not be automated yet
- Initiative seen as too risky

Use of automation is growing, including via InsurTechs, and agents know it





Legacy systems



- Current systems tend to be old, slow, cumbersome, patchworked, siloed
- Current workflows are often full of complex work-arounds
- Pain of the last system change is remembered all too well

Simplify and separate



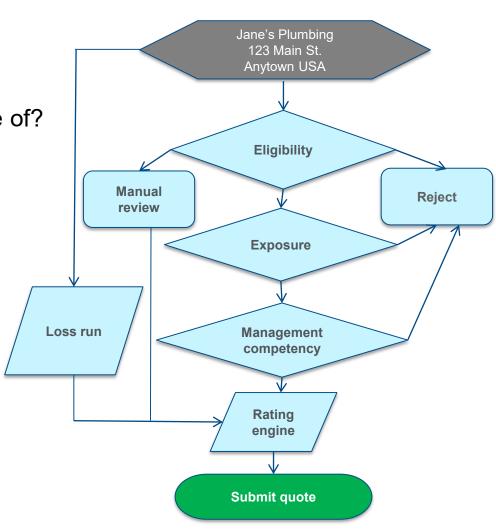


Data and analytics answer eligibility and underwriting questions

- Is this risk within your appetite?
- How well is the business run?
- What exposures are you unaware of?

Target a holistic data set:

- ⇒ Property
- ⇒ Business
- ⇒ Vehicle
- ⇒ Driver
- ⇒ Loss history







"Bad data costs the U.S. \$3.1 trillion per year"

— Harvard Business Review

\$4.5 billion **Property** premium leakage*

\$6.4 billion Auto radius premium leakage*

~50%
of NAICS
classifications
are inaccurate*

*Results of ISO studies





Transformation is possible

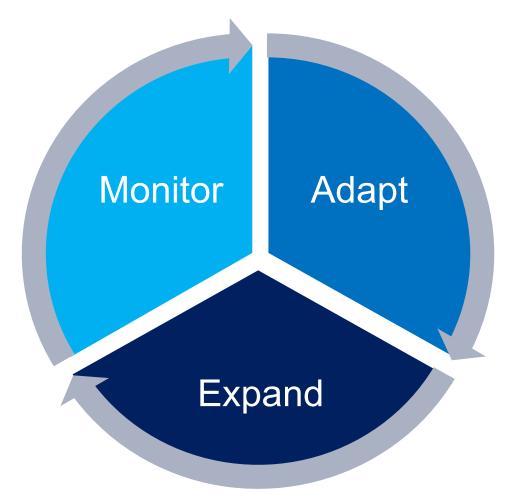
Now Policy For	cws	Replacing Policy No.			I.A	MOUNCE F	NOTONIES EN	SUBH 7	немон	
Prourance Company ()	ening	for called the inquest;			81	ker Agent				
riu					_				_	ADIOATIE .
FULL NAME OF THE FULL BUSINESS A	LIGANT IS INLISO PROVIDE			APPLICATION					LOT	
POSTAL ADDRESS			(8)							
DODATION OF CTHE			(8)						_	_
88.090.490107	MPAN		0							
PERIOD FROM		AM YE	IAN N	INTH.	DAY	TO 1251 MM	YEAR MONTH		TIMES ARE LOCAL PLICANTS POETAL	
	SIND	ISPECT OF WHICH INSURAN	CE IS TO BE?	MOVIDED A	VIETHOSE U	KED IN GOR	WECTON WITH THE APPLIC		F. ISPECE'S	7004000
							NO DESCRIPE ALL CONDS SURAN			
GONOLOTES BY THE	MTLG	NEW AT THE LOCKTONS SPECTRE ALCULATION OF THE PREMIUM IN	C ALCOHOL	AL STORMAN	GROUP OF THE	and a court of	ACTO THE MOTO THE CHEVY ACTO STATEMENT BY A	LUGAR BROKES MOT	DE UNIO FOR REALAL	OR LEASING EMPONERS
				MI	MBER OF EMP		VOLUDINO PROPRIETORS, P	WITHORS	PULLTIME	PARTTHE
ESTRATED TOTAL	N, PA	YROLL FOR POLICY PERIOD DE FOR INSURANCE ASAMS	9	AN OF THE	DEXECUTIVE	orncess	AT THE SPECTIVE DATE OF THIS TEM BUT ONLY FOR IT	IF THE POLICY		-
SUBSECTION(S) F	OFISH	IOH A PREMIUM IS SPECIFIE	D BY THIS ITS	MARCINO	OTHER AND UP	PON THE T	EPIME, CONDITIONS, PROVI	DONE, DEFINITION	E AND EXCLUSION	IL OF
CORRESPONDING		PEC-SAFAGE AUTOMOBILE P	OLICY & FOR	THE POLL	WINE SPECIE		TOMO MODINES.	CONTAN	* ACNOR	CEPTEMUM
SECTION 1	_			- 100	Dr.Y Populliy	_	1	USE ONL		
HATE PARTY LIBERTY		PARTY NOUBIVE UNIT		- E	OPERTY DAW	NOE:	i		١.	
	BASIC	BENEFITS	La colonia del mora					_	1	
SECTION 2	OPTIONAL INCREASED ADDIDENT BENEFITS		CAREGIVER			5 PER WILLY			5.	
ACCOUNT SEMETITS			MODICAL, RE	DWGL/SAT	OV 4 ATTENO	ANT CAPE			5	
	ı		DEATH & FU	NEWS.					1.	
SECTION 2	ONNE PED KITOMORUI SINUMSE		ACEXATION AS STATES IN SECTION 3 OF THE POLICY						1	
SECTION 4"		T COMPENSATION - PROPER CTIBLE APPLICABLE TO FACE	RTY DAMAGE		-				1.	
COMPENSATION	*THIS POLICY CONTAINS A PARTIAL PARMENT OF RECOVERY CLAUSE FOR PROPERTY DAMAGE IF DEDUCALE									
SECTION 5"	9.58	CPIED FOR DIRECT COMPE	REATION: PROPERTY DAMAGE. DEBUCTIELE APPLICABLE TO EACH SEPARITE AUTOMOBILE SECTIONS STUDY STUDY STATES THE SHALL BE DAUGULATED ON A MOMTHLY.						-	
			SECTIONS 5.1	2 5 13 AM	D S. LA SHALL	HE CALCU	LATED ON A MONTHLY	-	1	
	\$3.1	EVERAGE BADIS	CR CO-RISU LOCATOR NO PRINTING	PANCE BAD	E OF	PINTO	CTIBLE APPLIES FOR EACH-DOD	US. CONFAN		
	\vdash	COMPRESENTE DICTIONS		MOLPE	LIMBUTY	PEND	CTIBLE APPLIES FOR EASH-DOD SROEPT AS STATED IN FOLA PO	UT. COMPANI UCY USE ONL	4	
	5.1.2	COMPRESENTE SIGNATURES COLLECTION OF THEFTS	(%)		5	,				
LOSS OF OR SAMPLOS. TO OWNED	_	OPEN LOT THEFT)	m							
TO OWNED AUTOMOBILIS	5.1.3	OPENLOF THEFT)	(0)	-	+	-1'		$\overline{}$	_	
	5.14	SPECIFIED PERILS EXCLUDING THEFT		-	- 5	- 1		-	1	
			(0)							
	LIMIT AND APPROPRIATE CO-INSURANCE CONCITIONS APPLICABLE TO THE WORKING MALERIAGE SALES OF CO-INSURANCE SALES OF RETINAL									
				" This	policy cor	ntains a	partial payment of	loss clause.		
SECTION 6" LINEUTY FOR DANAGE TO A CUSTODE WHILE IN THE CAME, CUSTODE APPLICANT	6.1	COLLISION OR UPSET	CUSTOMETS A	BLE TO ARE C	AL 4	EROUG	FRUE APPLICABLE TO EPIPMENTS OCCUPRIENCE: 4			
	6.4	SPECIFIC PERSON (FIGURE) OF IN LOT THEFT)	LOCATION AS	SALES OF	y UMP D	4.70	DUCTION AND ADDRESS OF THE	DOMPAN		
			PERMIT	AUTOMORI	OME ONE	PEN	DUCTELLE REPUBBITORIERO I O SE ERCEPT AS STATEO NEVOLO I	TOLICY USE ONL		
			(4)		1.	١.			٦.	
			-	-	1	-1		$\overline{}$	1	
			153	-	+	-,		-	+	
			_	-	5	-		-		
	\perp		(0)		,					
E.E. B. GARAGE	DAMEY	PROTECTION ENDORSEME	NT YES				RT - LIMITS AFE THE SAME	AS SECTION 1, OR		
CHER ENDORSEME										
WINE AND ADDRESS OF	1,676.0	LOUR OF MOST SAGES TO MICH			Ben	UNION DE TR	NED	FOTIL ADVANCE	-	
OWILY BITH THE REL	PED. 15	LOSS OF MOTORIASS TO MICE 98 LINCOT SECTION 465 S FINA 50 DECLINED ON REPURSO TO R	ENEW ANY PIO		110	OWUM	S HE ANNUGATI WITHIN THE	PROMUN	1	
THESE YEARS PROCESS	MACE THE	ED DECLMED OR REPUBED TO R	ME OF RELIGIO	METOLEY	NO.	encise of 1	A TO GAR BUT HE THE	THE ADVANCE PIEM	NAME AND SUBJECT TO TOX PROVIDED IN TO	O THE ADJUSTIABLE E-POLICY
A STATE PARTY OF ARE	OF MI	ACCOUNTS LORNINGS OF STAME	ARRIVO DE S	F THE CHINA	NEW DECISION	PERMIT CAL	Y BUT BUT ONCOLUL OUT THE A			
TEATS PRECEDING THE	AFFLE	ATION LIST SEPARATELY FINED	CISARY).				OF MAY AUTOMOBILE (CITY THE A			
LOSSES			PO			00 F0		OOLL OURTOWS		OMPSP DUFOMER
YMED		1 1		1			1	1	1	1
PROVIDEDETALS OF	F. APPLIC	MYLORITE MOST RECENT AUTO-NOUTRACE.			NUPER		POLICY #	YEAR	MONTH	T Ser
								54	2027	- 500
EMPASS SPT NO.										
		CART - Fired this section care								
Versing: The Insuran	non Acr	provides that where (x) on App	Roant for a con	eracit, (I) give	s tese perticul	ar of the de	scribed automobile to be insure the contract or commits a frau	of to the projection of	the Hourse, or (1) for	cwingly managements
of a claim under the co	PERSONAL PROPERTY.	a claim by the insured, for other	Then such are	futory scool	ent benefits as a	are set out to	in the Statutory Accident Senet	to Schedyle, is invest	kl and the right of the	e haund to recover
ndemnity is forfeited.										
Warning - Offerose										
or to wellfully fail to only	om Pe	Inquest of a material dramos in	ETTO A STREET, AS	within 14 da	MS. In compacts	th with our	n insurer in connection with the hardisenent. The effence is p	UPS RENGERO OF CONTACT	ton by a maxesum fit	ne of \$100,000 for the
inst offence and a ma-	deye f	ne of \$200,000 for any subseq	uent conviction	it is an offe	mor under the t	ledown Crim	rinal Code for anyone to knowle	ngly make or use a fi	size document with the	he intent it be acted on
defined or to attempt to	erice is	purrendly, on convictor, by a ut an insurance company. The	offence is pur	constant implementation of the	connition, by a	more and	under the tederal Criminal Cod if 10 years imprisonment for or	re for amyone, by die nes involving an am	own, name frood or oth ours over \$5,000 or a	therwise a makinum of
2 years imprisonment.										
am applying for with	mobile i	reurance based on the interne	dien provident e	town Will	respect to the a	entirete-	or any renewal or change in co	erron, i autorios y	nu to milect, upo en	d declaración major
as permetted by law to	the pu	quoses necessary to access the	nak, investiga	ne and settle	claims, and de	Rect and pro	event haust, such as credit into	mater, dwing recei	a information, drivery	record information and
teins history. Signature of Broi	ine V	well			re of Applica			_	Date	
		,		- Sprange	e or repared			1	Jane	
ignature of tiro	,									

35% more quotes issued 20% more policies bound





Next level



- Track results of automation closely
 - Quotes issued
 - Policies bound
 - Premium deltas
 - Client satisfaction
- Adapt based on stakeholder feedback
- Scale the solution where appropriate





Shift focus – What successful firms do Key takeaways



- Prioritize what's best for their clients
 - Inward focus vs. outward focus
- Treat small business owners like personal lines insureds
 - Expectation is fast quoting with minimal effort and a modern user experience
- Engage partners that are invested in your goals and understand insurance
 - Quality data is the foundation for success. Scale and speed without quality can move carriers to failure more quickly.
- Simplify
 - Let go of what's not needed
- Keep producers top of mind
 - Agents care most about speed and accuracy





QUESTIONS





SPONSOR: VERISK

- Verisk is a leading data analytics provider serving customers in insurance, energy, specialized markets and financial services.
- Verisk draws on unique data assets and deep domain expertise to provide first-to-market innovations that are integrated into customer workflows.
- Verisk offers predictive analytics and decision support solutions to customers in rating, underwriting, claims, catastrophe and weather risk, global risk analytics, natural resources intelligence, economic forecasting, and many other fields. Around the world, Verisk helps customers protect people, property, and financial assets.
- Visit <u>www.verisk.com</u> to learn more about the company's portfolio of products and services.



