

## Successfully Automating Small Business Underwriting

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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.

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- 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.
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- Presentation and Recording: A copy of the slides and a recording of today's webinar will be posted at [www.riskandinsurance.com](http://www.riskandinsurance.com). We will email links to all attendees.
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# PRESENTER



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

## Moderator:



**Dan Reynolds**  
Editor-in-Chief  
Risk & Insurance®



VS.





## Defining Small Commercial

*Market definitions can vary greatly;  
determinant is appetite*

<100

<100 employees

<6M

<\$6M in revenue

\$10M

\$10M premium

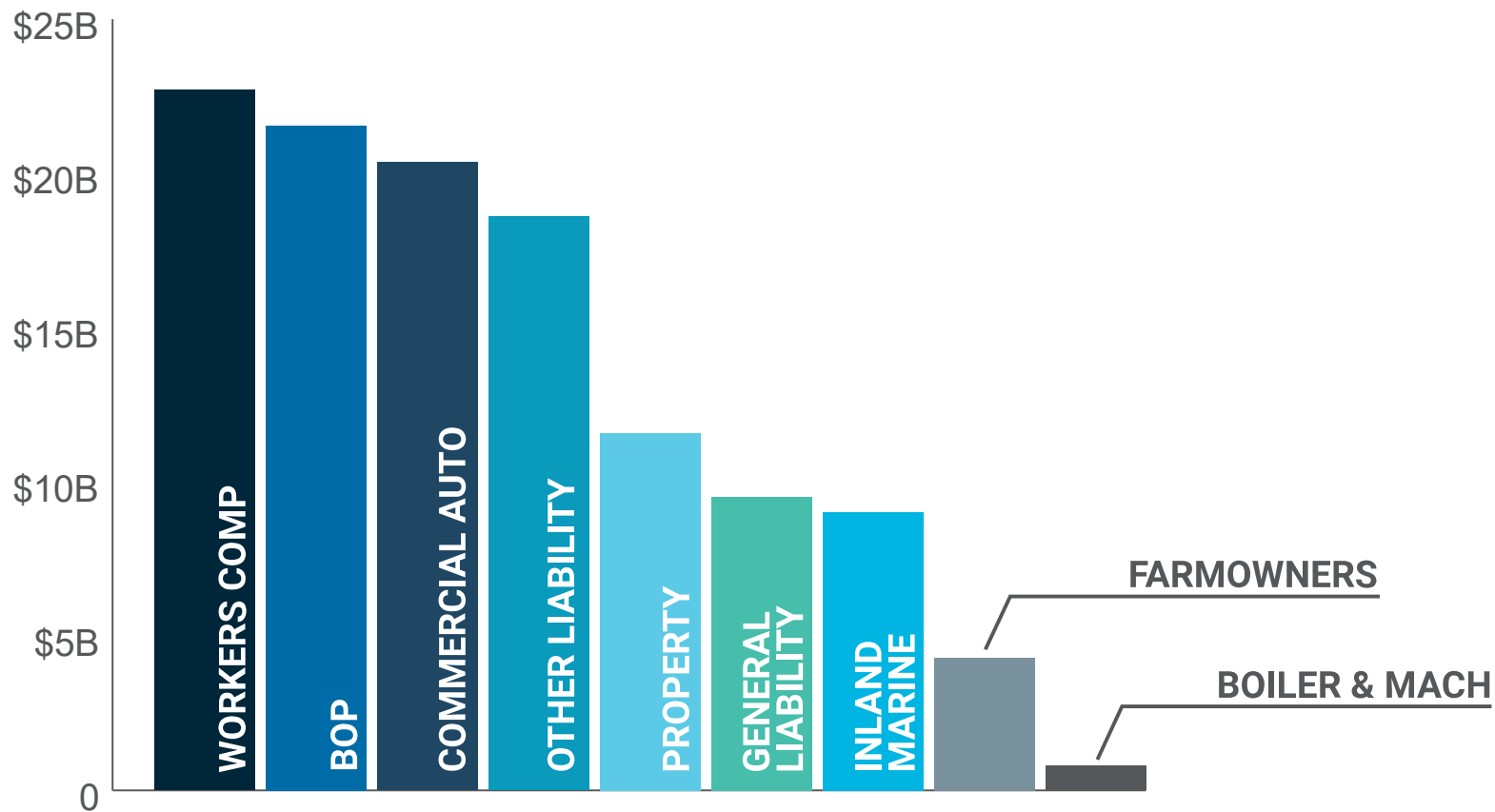
\$300k

\$300k payroll location

*All of the above?*



## More than BOP...

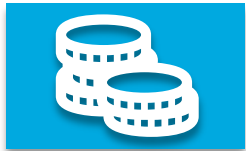


Source: ISO MarketStance v 18.0, 2017 data

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



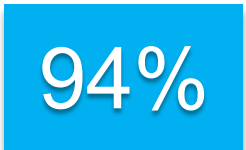
## Why focus on Small Commercial?



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%

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**

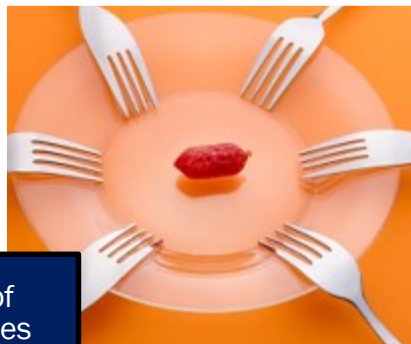


**Quality**

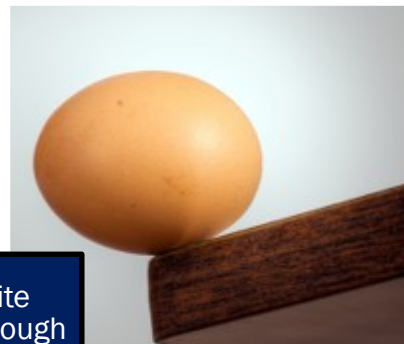
*Reduce premium leakage, right-price, attract agents,  
reduce touchpoints for profitable growth*

## So why not automate today?

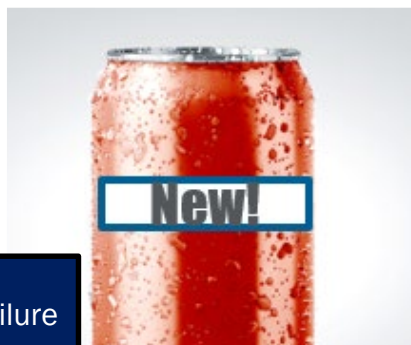
*Some of the most common feedback*



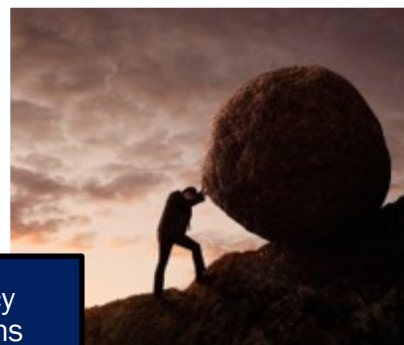
Lack of  
resources



Not quite  
urgent enough



Risk of failure



Legacy  
systems

## 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...*



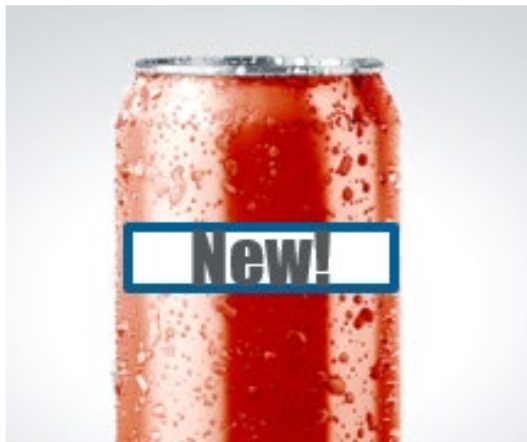
## Not quite urgent enough



- 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

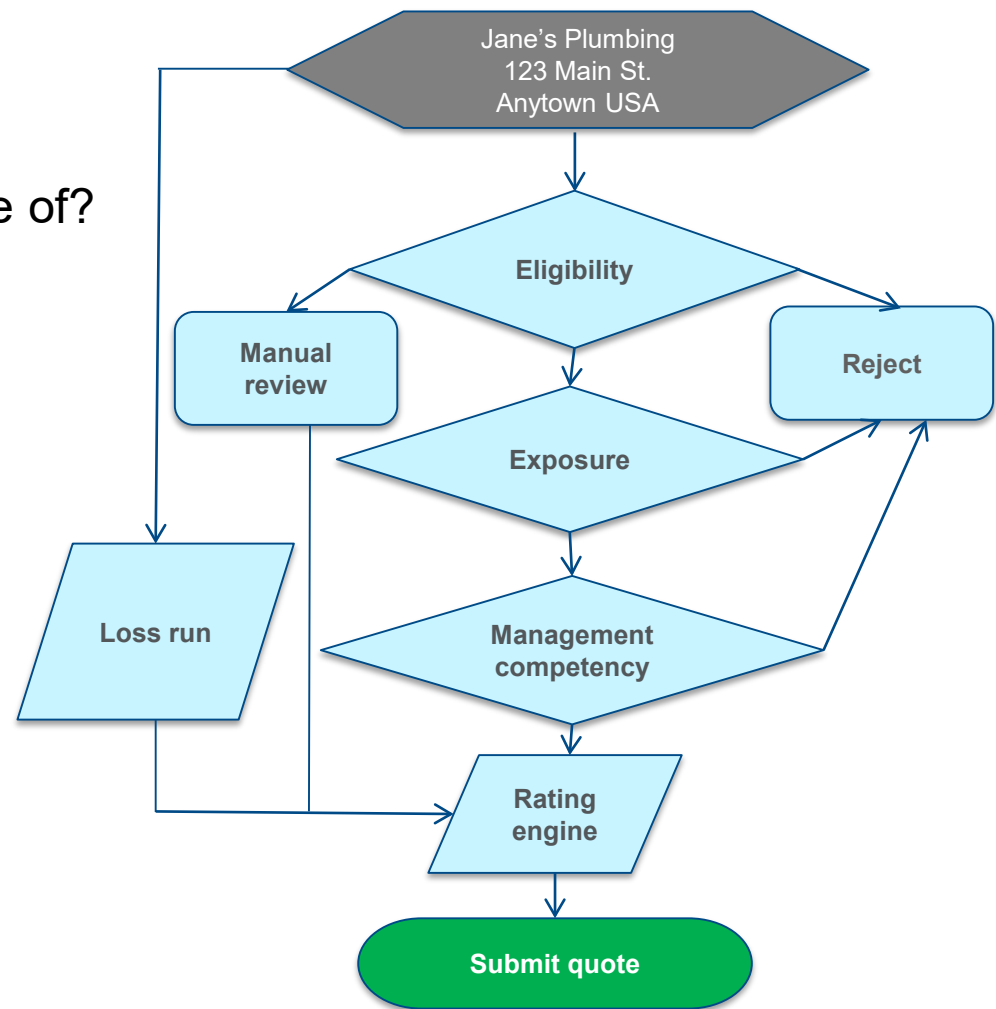
*Simplify and separate*

# 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

[illegible]

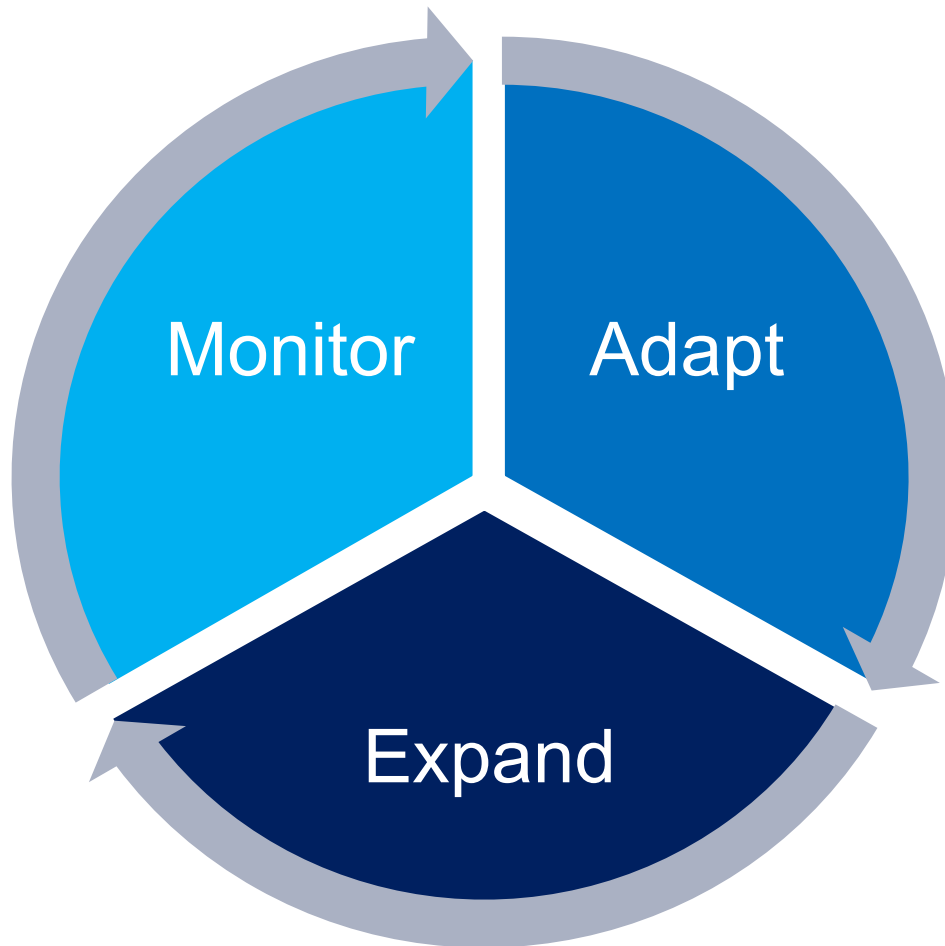
**35%**  
more quotes issued

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**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



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