2021 Analytics Outlook Report

2021 Outlook: Next-Generation Underwriting Takes Form

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Uncertainty goes with the territory in P&C insurance. That's not a revelation. What is new, however, is the pace of change that emerged in 2020. The COVID-19 pandemic threw gas on a fire that was already burning. It accelerated digital adoption in nearly every industry and changed the way the world does business—forcing new pathways for productivity, distribution, and collaboration—perhaps permanently.

Insurity CEO Chris Lafond made a remarkably prescient statement in February 2020 at Insurity's Valen Analytics Summit: "The pace of change will never be this slow again." Fast-forward through 2020 and it's apparent that change is not only accelerating digital strategies for the insurance industry, but it is also creating opportunities for businesses to reinvent and differentiate themselves, as they pivot to succeed in the emerging new normal.

As Rich Gilbert, chief digital information officer of Aflac, told CIO magazine: "In the post-COVID world, companies fall into three categories. Some will 'retreat to run' in order to conserve resources and stay in business. Others will 'strive to maintain' to get back to plans they created before the pandemic. Then there are companies, like Aflac, that see COVID-19 as a way to reinvent how we approach our traditional business and provide a catalyst to our digital roadmap." Gilbert explained that the pandemic's dark clouds have had two silver linings for Aflac: acceleration of the company's digital strategy, and greater trust in information technology.

It's clear, chaos is building from every direction: from a greater frequency and severity of catastrophes such as wildfires and hurricanes to social inflation raising the severity of casualty claims, as well as market uncertainty and depressed investment yields. But these challenges cannot be a reason to press pause—because for others, it's a reason to fast-forward their digital strategies. Insurers who take a proactive and preemptive approach to building out their data analytics capabilities—with a focus on next- generation underwriting—will emerge ahead of the curve in the new normal.

The table stakes for what makes "good underwriting" are evolving at a fairly rapid pace. Insurers are putting the pieces in place to manage internal data, explore third-party data, and increasingly utilize advanced analytics. However, it's not enough to simply have these solutions. Leading insurers demonstrate a clear appetite for sophisticating the use of data and analytics across their organization. They understand the necessity to evolve with technology—leveraging analytics and data to their fullest extent, including working alongside technology partners to help guide product roadmaps. That is a cultural mindset that is data driven and next level, and it's what we can expect to see more of in the new normal.

Leading insurers are asking these questions and solving for these business problems as they look to fully embed advanced data and analytics into their underwriting and decision workflows. 2021 is a year of reinvention—insurers cannot take the foot off the gas pedal during this pivotal opportunity for real transformation. Organizations that make the right data analytics investments in the near term—taking their underwriting to the next level—will be positioned to identify and price risk beyond the capabilities of competitors.

Next-generation underwriting questions to consider:

- Do you have a holistic strategy and approach to data analytics? Or is the use of data and analytics fragmented and siloed throughout your organization?
- Do you have a modern, reliable data infrastructure in place that can unlock the value of your internal data?
- How sophisticated are your risk selection and pricing capabilities? For example, are you employing automation to varying degrees, including AI and machine learning? Are you progressively embedding third-party data into your decisioning?
- Where can external providers add value by helping make sense of data in a way that's fast and actionable?
- Perhaps most importantly, have your employees bought into a data-driven culture, or is there resistance to automate decision workflows and focus underwriting expertise where it's most needed?

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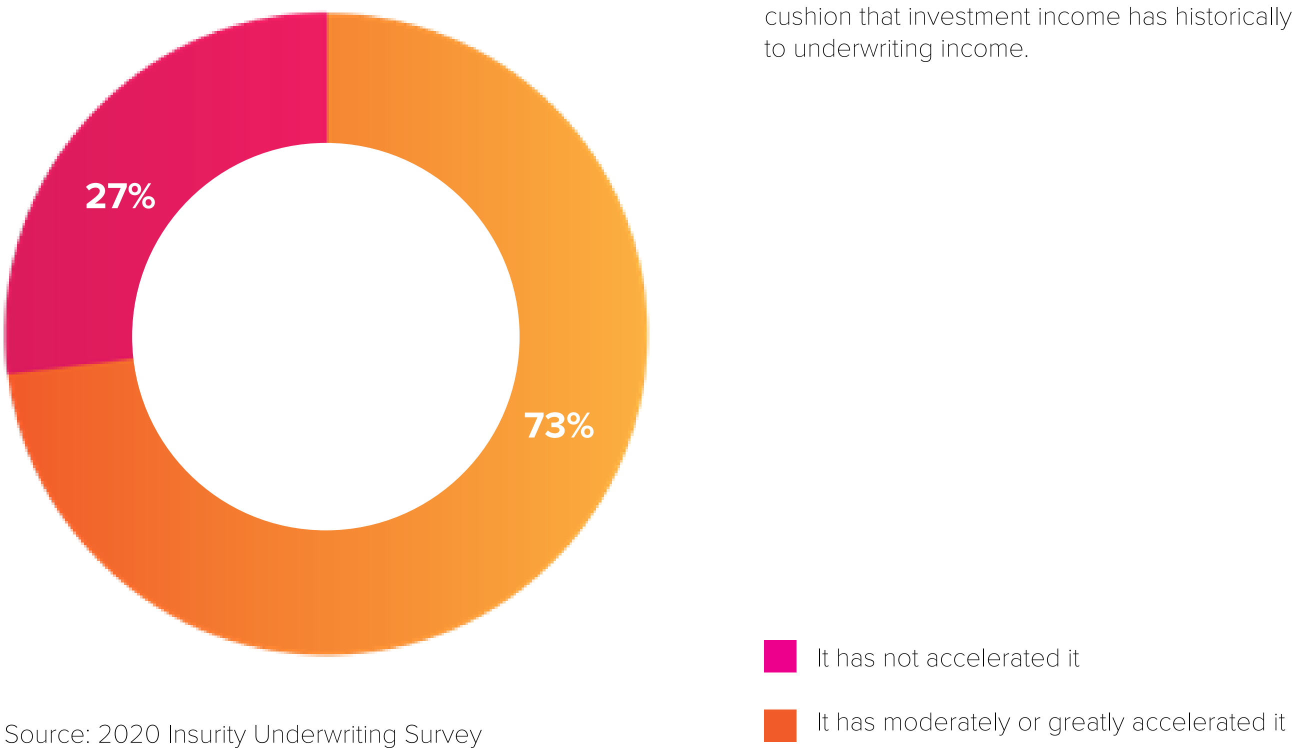
What's Next? Fierce Competition for Market Share

Digital readiness has become not only a requirement for staying in business but also for staying ahead of the curve. Insurity's 2020 Underwriting Survey found that COVID-19 has accelerated digital strategies for a majority of Insurity customers: 73% of respondents indicated the pandemic has moderately or greatly accelerated their digital strategies.

How has COVID accelerated your digital strategy?



Source: 2020 Insurity Underwriting Survey

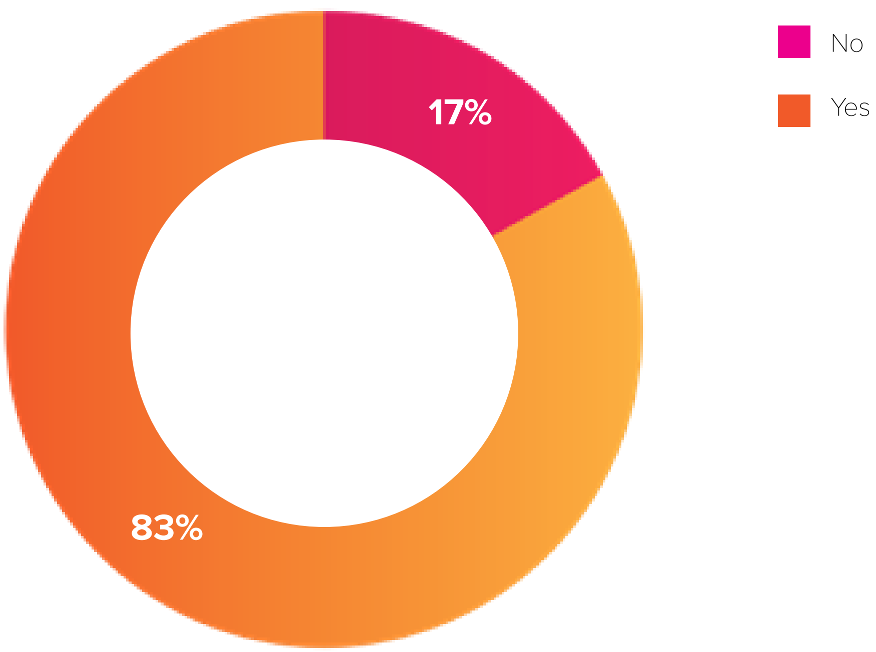
Eroding GDP is expected to drag P&C insurers' gross written premiums with it. As McKinsey & Company stated in a forecast for P&C insurance, "As a result of the economic crisis, the shrinking economic pie will spur fierce competition."[1]

Competition among P&C insurers means a battle for premium is underway. But conditions have changed. Unlike in the past, insurers will increasingly focus on profitable growth opportunities. The uncertain financial impact of the pandemic, coupled with low interest rates and volatility in investments, have further thinned the cushion that investment income has historically provided to underwriting income.

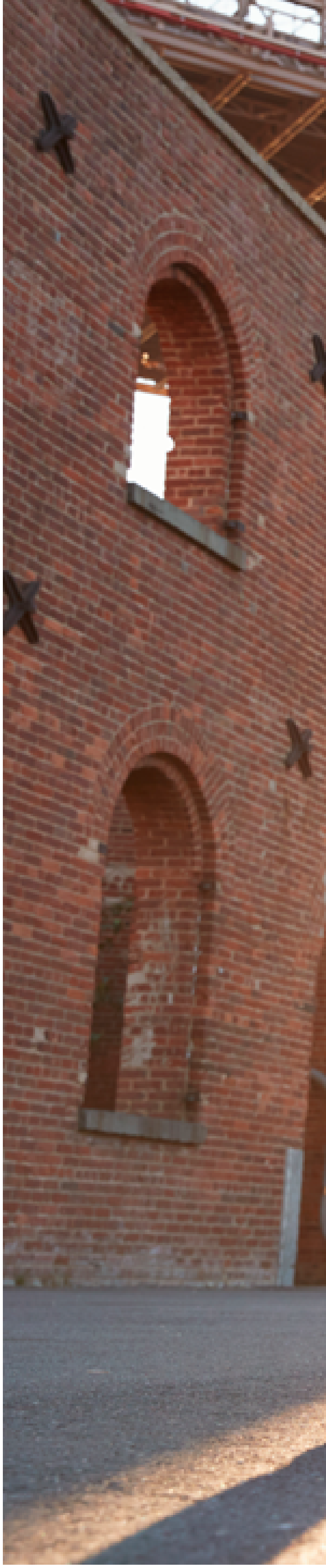
Underwriting excellence, in its truest sense, is no longer an aspiration but an imperative. McKinsey summarizes this new reality succinctly: "Building a competitive advantage in pricing has become a strategic imperative. As the insurance industry matures and existing products in both personal and commercial lines commoditize, P&C insurers must increasingly maintain a clear focus on improving the accuracy of pricing and underwriting in order to outsmart and outperform the competition on price."[1]

So what's next for P&C insurers? A renewed commitment to staying ahead of the curve and the competition with data and analytics. In fact, 83% of respondents to Insurity's survey said they plan to invest more in data and analytics in 2021.

Do you plan to invest more in data and analytics in 2021?



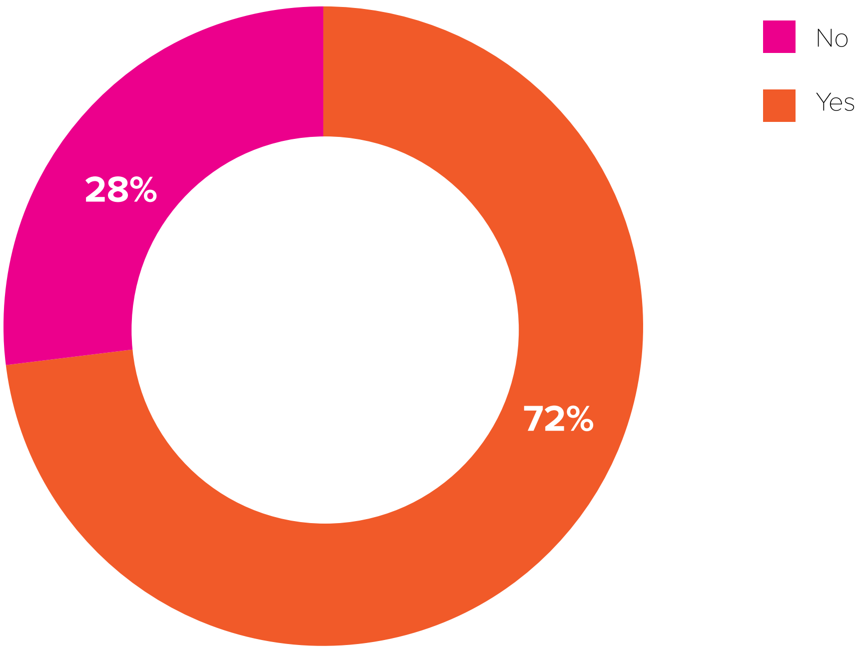
Source: 2020 Insurity Underwriting Survey



Trends in P&C Underwriting

Insurity's annual underwriting and innovation survey, conducted in November 2020 across a broad sample of our P&C customers, including re/insurers, MGAs, and brokers, shows that use of predictive analytics is steadily rising, with 72% of respondents indicating that they are currently using predictive analytics in their underwriting.

Are you currently using predictive analytics in underwriting?



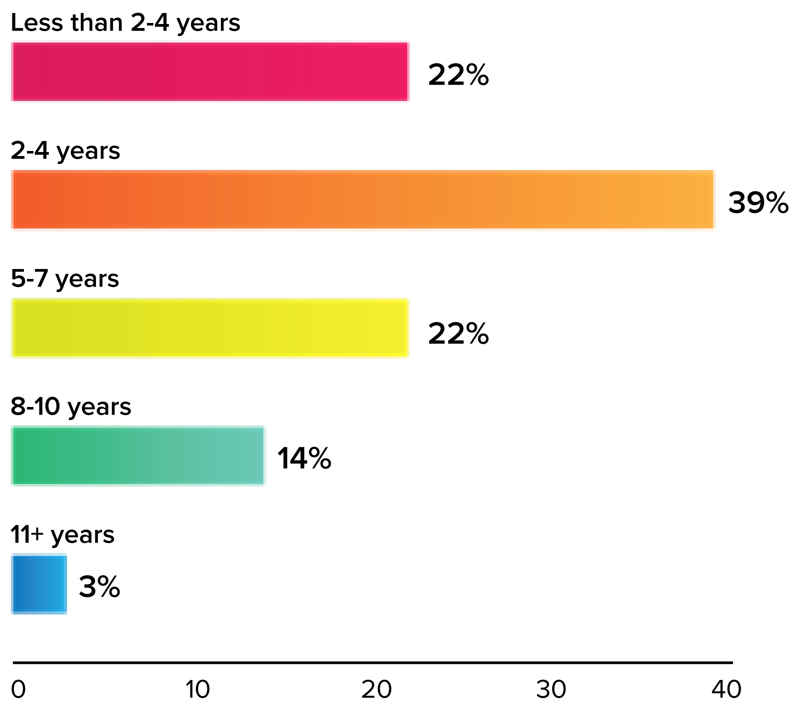
Source: 2020 Insurity Underwriting Survey

While predictive analytics are a mature technology, they remain a relatively new addition to P&C insurers' underwriting departments: 61% of P&C insurers have been using predictive analytics for less than four years. Only 3% of companies have been relying on predictive analytics for 11 or more years.

In the 2020 Insurity Underwriting Survey, 72% of respondents said they have "moderate," "significant," or "high" concern about their underwriters' adoption of predictive analytics.

72%

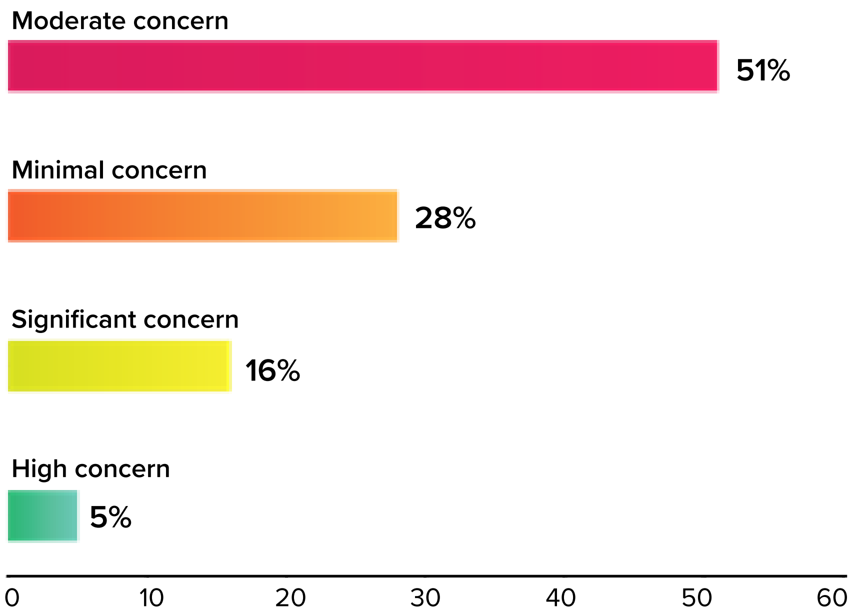
How long have you been using predictive analytics in underwriting?



Source: 2020 Insurity Underwriting Survey

The effective use of analytics isn't as much about reducing human underwriting involvement as it is about allocating and supporting resources effectively to achieve the best result. While the adoption of predictive analytics is gaining traction, as evidenced by a 56% increase in use of Insurity's predictive scoring platform in 2020, there is still room for improvement. Insurity found that while 28% of insurers have minimal concern about underwriter adoption, 51% have moderate concern, and 21%—more than 1 in 5 companies—have significant or high concern. This is in line with our 2019 survey which found 72.4% of respondents had "moderate," "significant," or "high" concern.

How big of concern is underwriter adoption of predictive analytics?



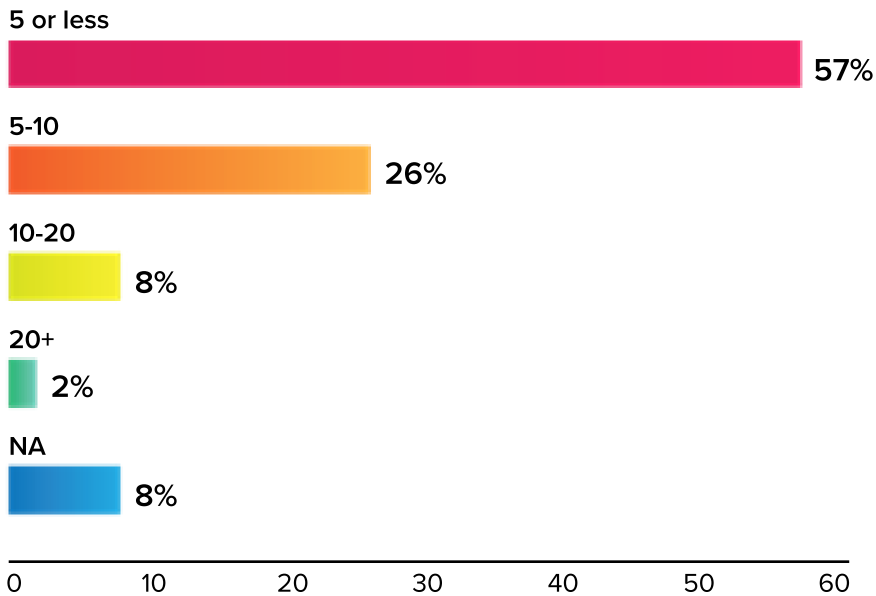
Source: 2020 Insurity Underwriting Survey

The power of predictive analytics is only as great as the quality of its data sources. Supplementing in-house underwriting data with third-party data or data consortiums is a proven way to enhance the effectiveness of predictive analytics. Most respondents, however, said their underwriters only have access to a minimal number of third-party data sources: 57% use five or fewer, 26% use between five and ten, while only 10% use more than ten sources. According to McKinsey & Company, "Sophisticated insurance carriers evaluate more than 30 new external data sources and then select two to four sources each year that they use to develop new features and embed in their pricing and rating models."[1]

"Over the past decade we've seen a competition between underwriting and data science. Guess what? They both won. Underwriting judgment has been and will remain fundamental to our industry, it is the essence of risk taking, but judgment alone hasn't always proven dependable. Judgment built on a foundation of analytics is much more sustainable. This sustainability will enable the P&C industry to find a new equilibrium between premium and losses, to attract new capital and to remain relevant."

-Willis Towers Watson, "Insurance Marketplace Realities 2021"

How many sources of expert third-party data do underwriters in your company have at their disposal?

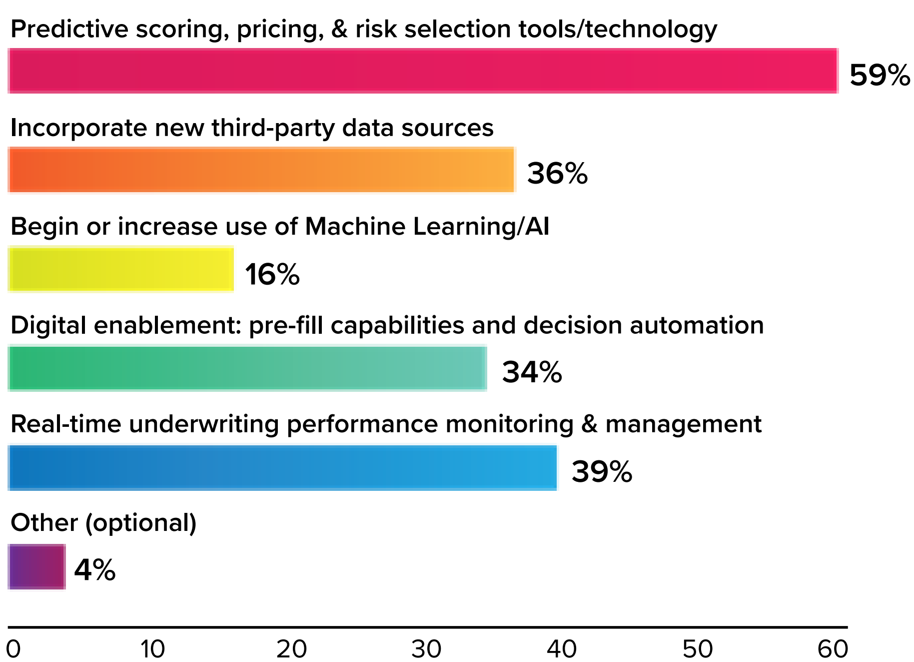


Source: 2020 Insurity Underwriting Survey

Insurity's survey found that about one-third—36%—of P&C carriers see incorporating third-party data sources as a priority for their data and analytics investments. Among the highest priorities are:

- Predictive scoring, pricing, and risk selection tools, cited by 59%
- Real-time underwriting performance monitoring and management, cited by 39%

Please specify your data and analytics investment priorities?



Source: 2020 Insurity Underwriting Survey

A trend that is enabling insurers to fast-track their data analytics and digital strategies is the adoption of partner ecosystems. As highlighted in our 2020 Outlook Report, we've observed a shift in the industry—insurers are more readily embracing partner relationships and tapping into ecosystems to solve the challenge of maintaining connections to multiple data providers, speed the implementation of analytics, and test and scale new data sources and products.

Insurity's head of data solutions, Kirstin Marr, explained in a 2020 ***PropertyCasualty360*** article, "Purposefully building out partner connections through APIs and digital solutions enables insurers to streamline operations, reduce costs, and develop customized products with more agility than ever before. However, when building their networks, insurers must look to partners that enable 'open ecosystems'—meaning partners that do not put limitations on access to data, analytics, or software. Insurers should have the flexibility to incorporate inputs in any way that helps them meet their business objectives. Put simply, open ecosystems enable choice—choice in data providers that can collectively drive better and faster decisions, and choice in technology partners that best align with an insurer's claims experience, product lines, practices, and view of risk."

Workers' Compensation Trends and COVID-19 Impacts

One commercial line that was heavily impacted by COVID-19 and that will require insurers to reimagine business-as-usual is workers' compensation. Several trends were identified in Insurity's recent Workers' Compensation Industry Trends Report which leveraged the vast workers' compensation policy and claims data contained within the Valen Data Consortium through Q3 of 2020. As the industry's largest proprietary P&C consortium purpose-built for predictive analytics, it contains over $60 billion in workers' compensation premium and associated claims—providing the most representative data sample in the industry. By studying the pandemic's impact on quotes, renewals, and pricing in different market segmentation views, Insurity identified some notable trends through Q3 of 2020:

To access and download the full Workers' Compensation Industry Trends Report, click here.

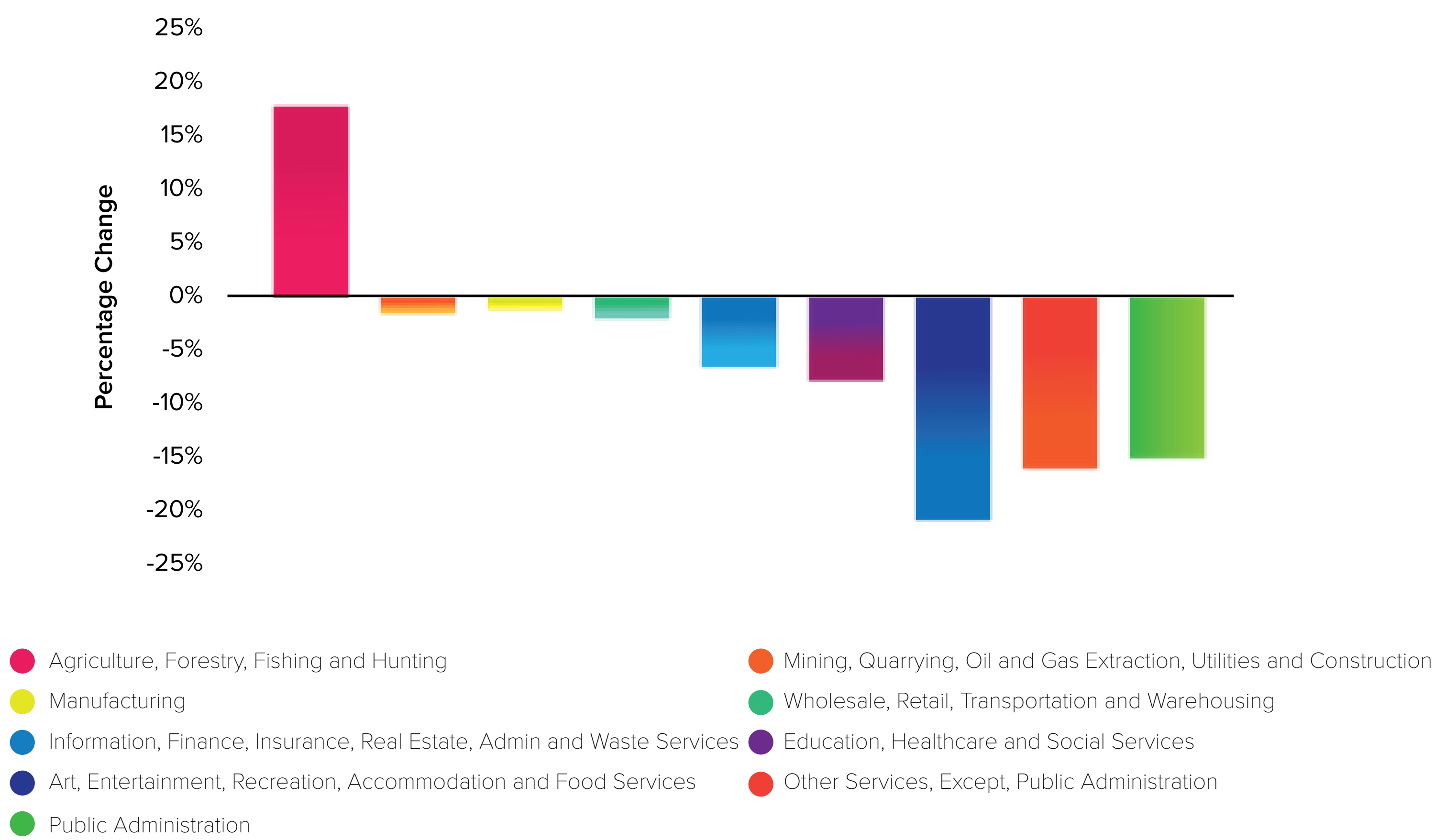
Trend 1:
New business has become harder to find (see chart below), with quotes down 10% overall from 2019 and 17% or more in some industry segments

Trend 2:
Renewals held steady, but declining new business and retention rates are concerns in 2021

Trend 3:
Average payrolls were consistently flat from pre-COVID levels, signaling that renewal rates may not be reflective of the actual decline in payrolls

Trend 4:
Premiums continued to decline despite payroll/exposure holding steady, confirming the impact of competition and consistently falling loss costs

One Year Change in New Business (NAIC1 -Q2 Q3 2019/2020)



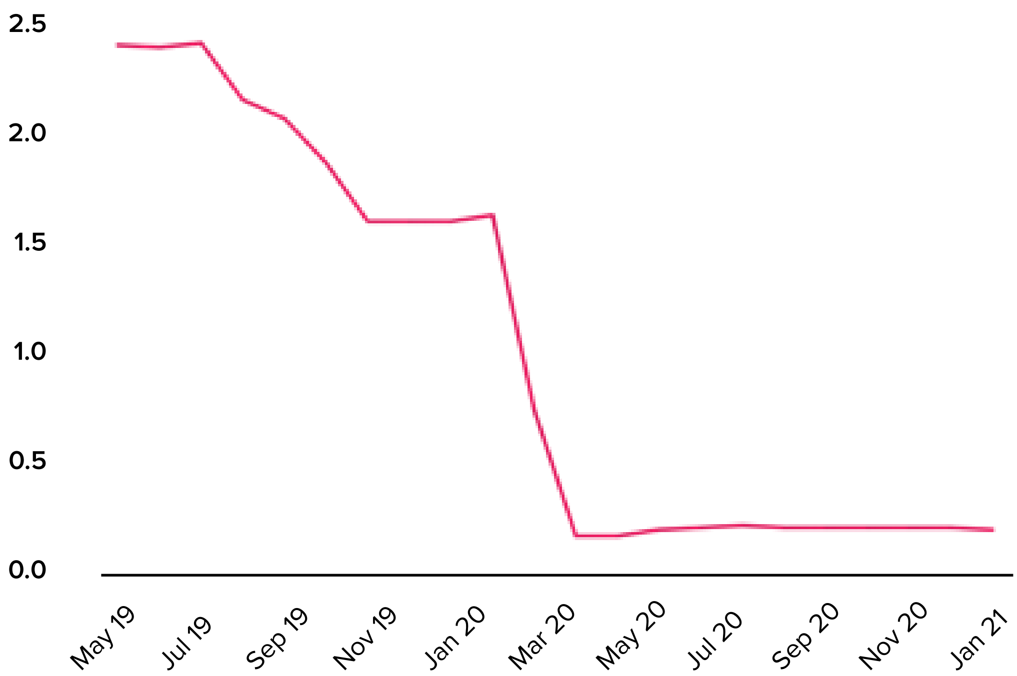
Source: 2021 Insurity Workers' Compensation Industry Trends Report

New business quotes were down 17%+ in Public Administration and Other Services industry segments, and 23% in the Arts, Entertainment, and Hospitality industry segment. These industries were likely more disrupted by the pandemic; therefore, it was not a priority for insureds to shop for insurance. Pricing and risk selection excellence is imperative as new business is harder to find, attract, underwrite, and price amidst the pandemic.

Insurity found that average policy premiums have decreased despite stable average policy exposure which is consistent with the pre-COVID impact of decreasing loss costs. Given that the impacts of the pandemic will be felt well into 2021, and combined with falling loss costs, insurers can expect to face a lack of premium adequacy funding for the foreseeable future. This again emphasizes the criticality of risk selection and pricing to enhance competitive differentiation and enter new ventures and markets.

Compounding these trends, investment yields are at all-time lows—meaning underwriting losses can no longer be made whole with investment income (see Federal Fund Interest Rate chart below). The convergence of these factors suggests that insurers must do a better job of pricing and selecting the right risks. Likewise, because the adequacy of premium is at risk, insurers should look to lower their expense ratios. This entails finding ways to encourage new business, such as with straight-through processing (STP), without having to manually underwrite policies. Essentially, the margin for error has shrunk, forcing workers' compensation insurers to take a closer look at proactively managing their overall books of business. The changes workers' comp insurers make now will be critical to maintaining growth, profitability, and competitive differentiation throughout 2021 and beyond.

Federal Fund Rate Points to Investment Concerns



Source: Board of Governors of the Federal Reserve System (US)

The Federal Funds Rate is closely tied to investment yields for the insurance industry. This trend points to continuing investment concerns, putting even more pressure on improving combined ratios to make up for the lack of investment yield.

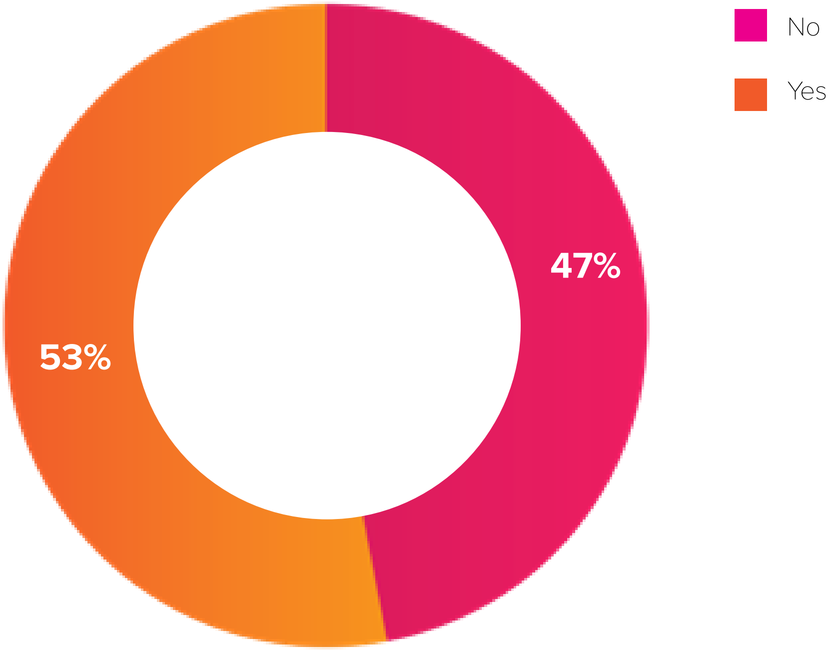
"Insurers may look at their books today and think they're in a better funding situation than they actually are. That's because their underlying data is not reflective of the actual payroll/exposure, meaning a significant amount of premium may need to be returned upon audit. This will extend the impact of this pandemic into 2021 and beyond."

-JJ Ihrke, Head of Analytics and Chief Scoring Officer, Insurity

The Insurity 2020 Underwriting Survey provides further validation that premium may need to be returned upon retrospective audits. When asked if their companies anticipated returning more than 10% of their premiums due to decreases in payroll from the pandemic, 53% of respondents who underwrite workers' compensation responded affirmatively.

53%

If you underwrite workers' comp, are you anticipating a return in premiums greater than 10% due to decreases in payroll from COVID?

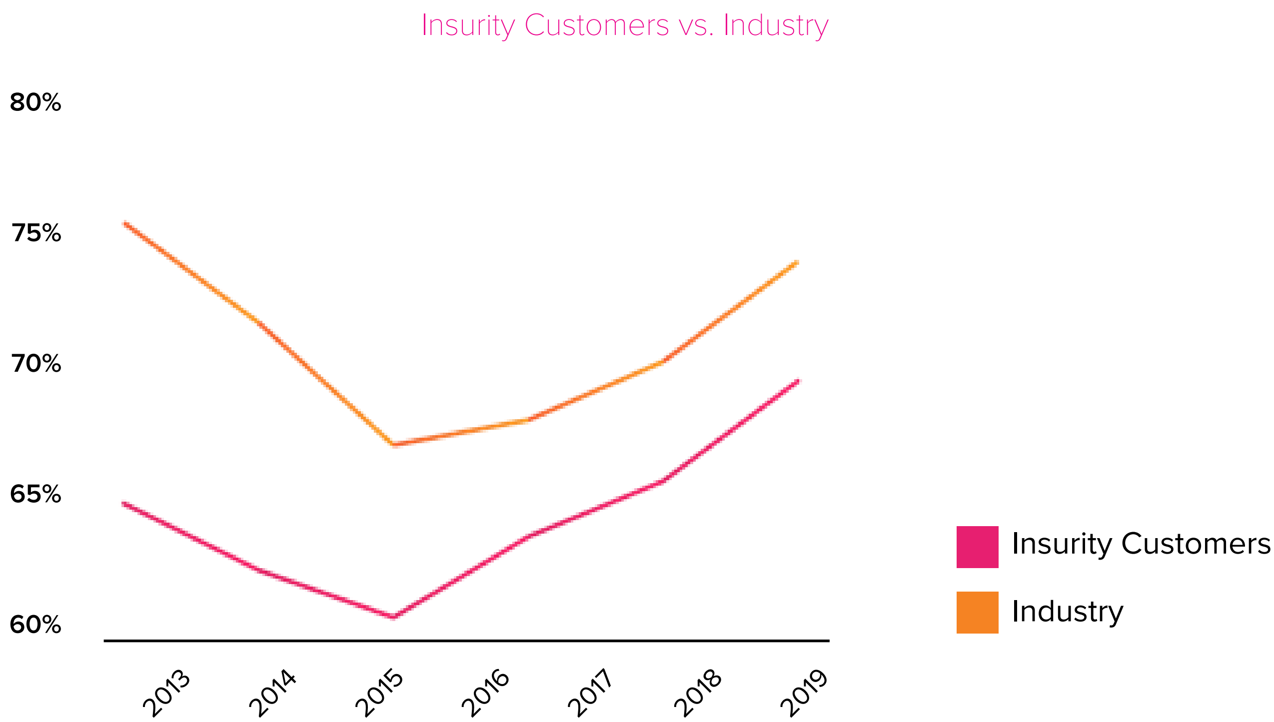


Source: 2020 Insurity Underwriting Survey

Annual ROI Study: Insurers on the Front Line of Data Analytics See Cumulative Results

For insurers that are trying to get a handle on how the pandemic and market conditions continue to impact their portfolios, data and analytics sit at the very center of understanding. Protecting your performance, growth, and profitability goals by leveraging predictive analytics and proprietary data in underwriting becomes even more important during times of volatility.

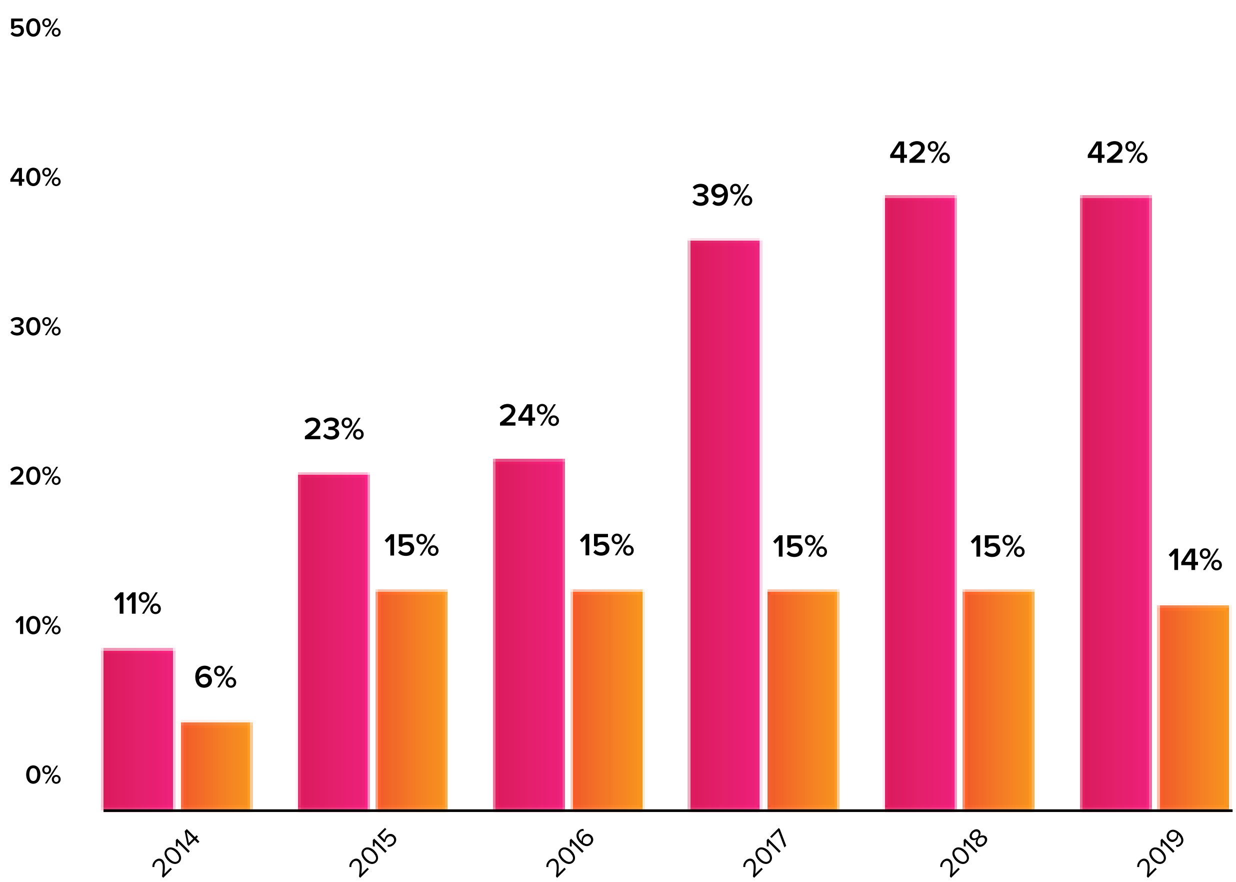
Multiple studies, including Insurity's annual ROI study, offer evidence that applying analytics improves insurers' results. We have published a broad study for the last six years showing how our workers' compensation customers who have been using Insurity predictive models for at least two years compare to the industry overall. The study is based on the proprietary data consortium representing $60 billion in workers' comp premiums. The chart below shows that our customer cohort outperformed the market with loss ratios 3.6 – 10.1 points better than the industry average—every year. Our customers have been outperforming the industry and continue to do so through our partnership with them, keeping our advanced analytics up to date and cutting edge.



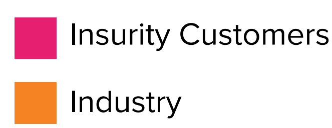
Source: 2020 Insurity ROI Study

While profitability is one-half of the story, it's also important to look at growth. You don't want to sacrifice growth to get profitability gains—and our customers enjoy gains on both ends. Cumulative premium growth for our customers over the past five years was three times the industry average or 42%, compared with the industry's growth of 14%. That translates into more than $965 million in premium compared to $328 million, had our clients grown at the industry rate.

Insurity Customers vs. Industry
Cumulative Premium Growth since 2014



Source: 2020 Insurity ROI Study



Trends in Catastrophe Risk: Every Year is a Record-Setter

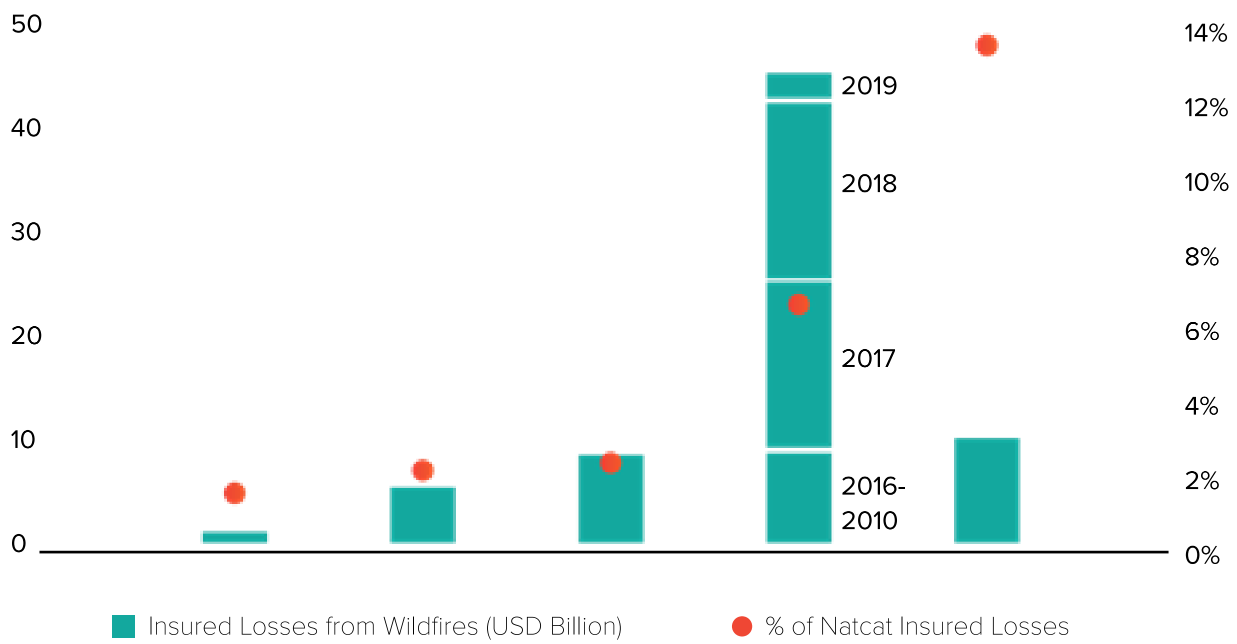
Since 2017, when insured losses spiked, record-setting catastrophe (cat) events have become the new normal. The heightened frequency and severity of perils, such as wildfire and flood, indicate that the past is becoming less reliable as a predictor of future losses. As a result, new forms of third-party hazard data, along with multiple views of risk, are critical to effective underwriting, portfolio management, and claims response.

Insured losses from major cat events totaled $78 billion in 2020—the fourth-largest total since 2011 and about 17% higher than the 10-year average according to a report by Willis Re. Vaughn Jensen, executive vice president, catastrophe analytics, at Willis Re North America, comments, "A record number of North Atlantic hurricanes formed in 2020, but landfalls did not occur in great numbers or touch areas with highly concentrated insured exposures. If they had, the story of 2020 would have been dramatically different. However, the sheer number of storms, and the continued incidence of billion-dollar wildfires in the U.S. and elsewhere, plus the severity of the Iowa derecho event, gives the industry cause to consider new emerging trends."

Secondary Perils Driving Cat Losses

According to Swiss Re, small and mid-size secondary perils accounted for more than 50% of the $152 billion in insured cat losses in 2017, 2018, and 2019.[4] A prime example of such a secondary peril is wildfire. Between 1990 and 2010, the number of houses in the wildland-urban interface (WUI) grew 41%. This increased urbanization combined with rising temperatures and reduced rainfall, contributed to a dramatic increase in wildfire insured losses.[5]

Global Insured Losses from Wildfires Since 1980 by Decade (USD Billion), at 2020 Prices



Source: Swiss Re

Wildfires have become significant loss drivers for the industry. Insured losses totaled less than $10 billion in the period 2000-2009 and then dramatically rose to $45 billion in the next decade.[6]

“The main underwriting risk for insurers is to underestimate premiums due to reliance on historical loss data or incomplete/ outdated models…Many catastrophe models do not fully account for rising exposure from increased value concentration in a rapidly urbanising and more vulnerable world.”

- Swiss Re, “5 lessons in 5 charts: resilience in an age of climate extremes”

The Past is Becoming Less Representative of the Future

From rapidly intensifying hurricanes to wildfires paying little heed to seasonality, historical patterns are becoming less representative of the future. In places like California, Florida, Louisiana, Mississippi, and Texas, insureds are experiencing devastating wildfire and hurricane seasons. As these perils intensify, insureds struggle with non-renewals, rising rates, or lack of coverage—while insurers struggle with how to effectively limit their exposure in high-risk areas and more effectively price for these intensifying risks.

A volatile risk like wildfire, for example, necessitates multiple expert data points to effectively select and price the risk. It’s clear that a single score is no longer sufficient. Instead, insurers may need a risk score from one provider that accounts for fire, smoke, and wind-driven embers, along with risk mitigation data from another provider that includes distance to fire station and fire hydrants. Next, it’s important to understand current portfolio accumulations in proximity to the perspective risk. Furthermore, there may be other potential risks from other data sources that aid in developing a more holistic view of risk.

The above underwriting report, as shown within Insurity’s SpatialKey Underwriting solution, includes critical fire station data from HazardHub along with the relative risk score of the peril itself from Willis Re. This combination of data points helps to contextualize and price risk in a single view.

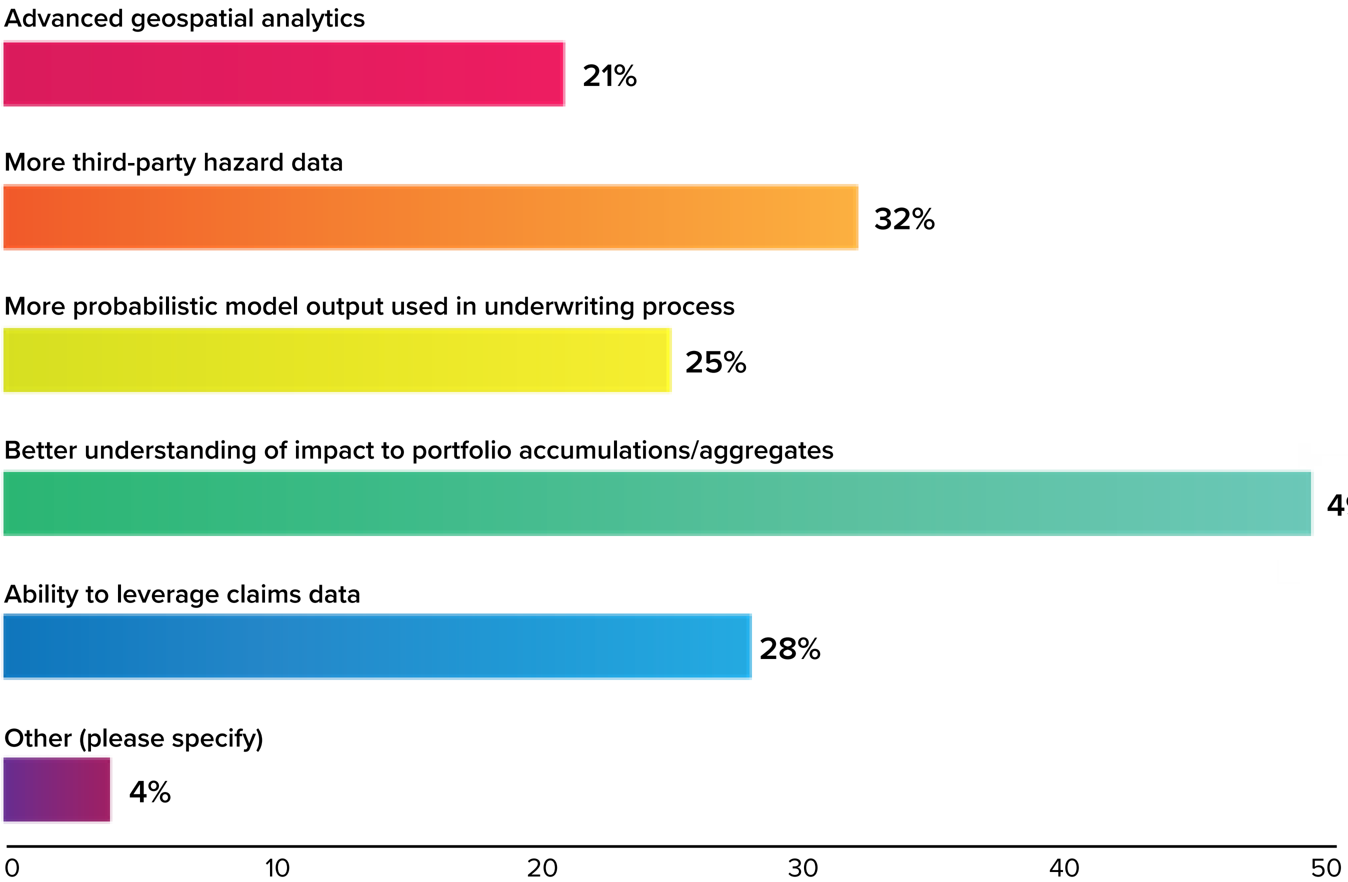
Complete Views of Risk Are Critical

Obtaining a complete view of risk is critical to effective underwriting and portfolio management practices; however, some insurers still struggle to leverage data and analytics that are accessible, easy to comprehend, and actionable.

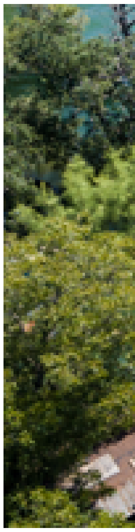
While data choice is abundant, some insurers may find they're still hopping between disparate platforms to access and visualize risk information from multiple sources—from hazard scores to historical cat event exposure, proximity to risk mitigation services, and management of portfolio accumulations. This adversely impacts speed to quote and increases underwriting costs, and for many, underwriting decisions are still ultimately made against incomplete information.

Across all lines of P&C insurance, third-party data enables better-informed decisions and more accurate pricing; yet, as the Insurity Underwriting Survey showed, most insurers still utilize relatively few third-party data sources. That appetite, however, is growing, with 32% of respondents indicating they plan to expand their access to third-party data at the point of quote in 2021.

What are you doing to better understand catastrophe risk and adequately price and select for it at the point of quote?



Source: 2020 Insurity Underwriting Survey



Likewise, 47% of respondents indicated that a better understanding of their accumulations of risk is a priority. This is in line with the need to more effectively manage capacity in high-risk areas and more effectively price for these more frequent and severe risks.

Ideally, underwriters should have the ability to leverage blended views of disparate data and analytics solutions to derive insight. This balanced approach removes dependence on a single input that, on a risk-by-risk basis, could yield an inaccurate underwriting decision.

A holistic view of risk that provides scores, contextual hazard and claims experience information, accumulation analytics, and risk mitigation—all at an underwriters' fingertips—improves risk selection and pricing, enhances speed to quote and differentiation, and reduces downstream reinsurance and claims costs.

Speed of Insight: A Competitive Differentiator

From underwriting to portfolio management to event response, there is more data available to make more informed decisions, but with all that data comes the challenge of quickly deriving value from it. **Insight embedded into workflows—the combination of data and analytics that provides instant, actionable information—is a key competitive differentiator in the next normal.** Both underwriting and claims response depend upon speed: at the point of quote and at the time of a loss.

Automating the delivery of insight is becoming more and more crucial to catastrophe risk, in particular. Not only is the frequency of cat events rising, but there are more providers of catastrophe event data producing higher resolution footprints. This new quantity and quality of data is increasingly difficult for insurers to process fast enough to deploy timely insured response.

As data management needs grow for cat events, a geospatial platform can help insurers rapidly derive insight from all the data. For example, the Insurity team processed over 1,900 individual datasets for wildfires in 2020. Each update needs to be processed and operationalized for actionable insights, which can be a time-consuming and resource draining task. During these business-critical events, insurers don't have the benefit of time – they need complete and current information now. Insurers that try to go it alone, relying on in-house data teams, may find they're spending more time operationalizing data than deriving value from it—while missing out on an opportunity to offer differentiated service to their insureds.

While some insurers still rely heavily on internal GIS and data teams, leading insurers are recognizing the value of a platform that can operationalize all this data for them and quickly turn it into actionable insights. In fact, in the last year alone, we've seen a 34% increase in customer use of Insurity's geospatial analytics and event alerts to understand their potential exposure to cat events as new intelligence becomes available, and to proactively mobilize and manage their response.

With the frequency and intensity of cat events on the rise, speed of insight is sure to be a competitive advantage that hinges on, as Kirstin Marr, Head of Insurity Analytics, states, "delivering the right data to the right people in the right place at the right time"—a simple concept that is quite complex for most insurers to achieve as they grapple with the diverse needs of their operations as well as multiple disparate platforms and sources of data to make informed decisions. "We see our insurance customers insisting on the delivery of more insight in the context of their core business workflows. It's clear that innovation is happening rapidly in data analytics, and insurers who capture that innovation in their core workflows will gain a competitive advantage."

Data Governance Foundational to Data Analytics

The key to extracting maximum value from data analytics starts by establishing a strong data governance foundation. For many P&C insurers, data has historically been splintered and siloed, with no unifying strategy to harness it across their businesses. But this is changing as insurers make strides in realizing the value of data governance. Data governance is a set of practices and processes used to formally manage the data assets of an organization. Beyond ensuring data integrity, security, and regulatory compliance, data governance also enhances the value of an organization's data and facilitates enterprise growth. If P&C insurers are not thinking about a data strategy and data governance in a bigger way, they are missing out. Some disadvantages in failing to think strategically about data are:

- **Getting left behind.** Mid-size and smaller insurers are especially vulnerable if their larger competitors adopt a strategic approach to data governance. As competition increases for companies across the industry, no insurer seeking profitable growth can afford to get left behind.

- **Reduced responsiveness.** A strong data strategy and good data governance enable companies to respond quicker to the needs of their customers, agents, and brokers. Companies that maintain siloed data will inevitably lag behind peers that have invested in strategic data platforms.

Inability to innovate. For companies in any industry, innovation is the key to survival. Consider the unfortunate saga of many pre-eminent retailers in the US who have lost their way in a series of missteps and miscalculations needed to stay current with technology and meet growing customer needs. Siloed operations—including separate information technology infrastructure—can prevent divisions within a company from collaborating and create a major barrier to innovation.

"Data governance will make or break an organization. Insurance companies must be quick to respond to trends and challenges in our industry if they wish to not only remain competitive but gain further competitive advantage. Creating a proactive data governance program will enable an organization to better comply with statutory regulations, increase operational efficiencies, improve their customer experience, and increase top line growth by establishing an infrastructure of understandable, consistent, reliable, and usable data."

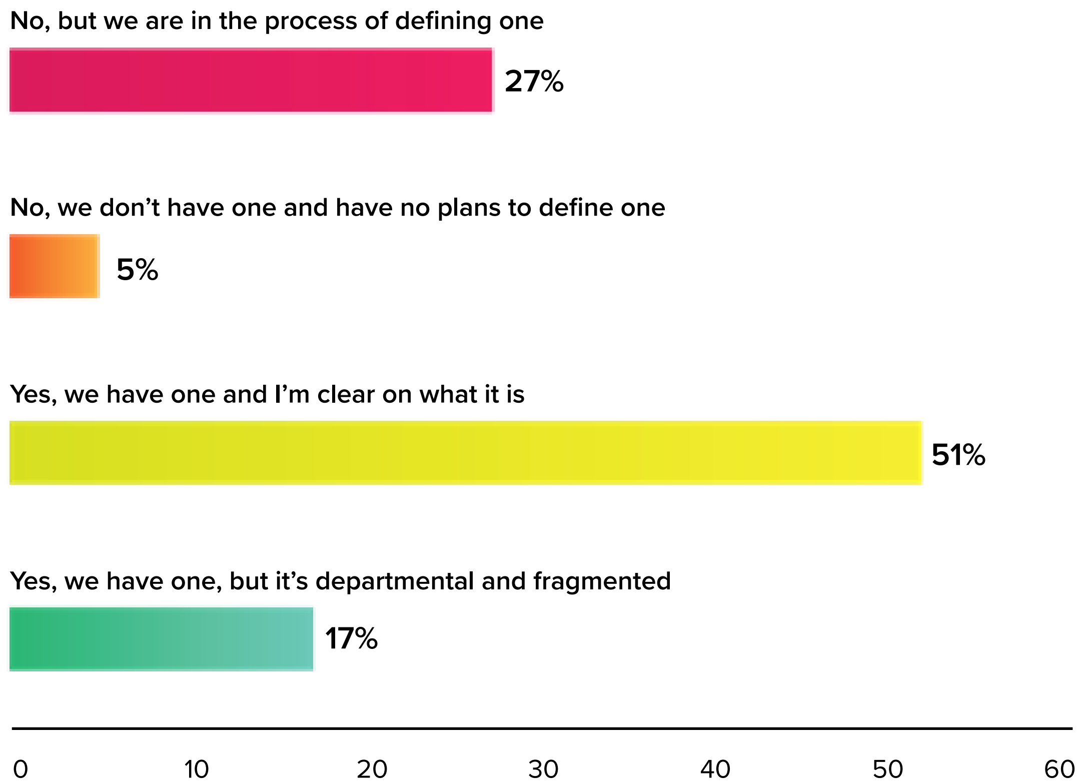
-Farouk Yassine, Executive Director at the Insurance Data Management Association and co-author of a report on data governance by IDMA and Novarica

Improving the Customer Experience

Companies with chief data officers who instill data cultures are setting the pace for the rest of the organizations in their industries. In retail, for example, Amazon.com and Target are focusing heavily on improving the customer experience with multichannel strategies founded on a digital strategy. While Amazon is well-known for quick delivery, Target is repurposing space in its brick-and-mortar stores as digital fulfillment centers. One key to the success of companies like these is their attitude toward digital innovation. As one enterprise technology executive commented to CIO.com, "Companies that make the shifts necessary to win in the digital age will be those that take a hard look at their assets and competitive differentiators in the current and future digital world and reshape their value proposition as a digital one."[7]

Insurity's latest underwriting analytics and innovation survey suggests P&C insurers are not uniform when it comes to data strategies. Just over half of respondents said their organization has a data strategy in place to modernize data governance and warehousing, and are clear on that strategy. While 17% have such a strategy, they aren't clear on it. About a third of respondents do not have a data governance strategy.

Do you have a data strategy in place to modernize your data governance and warehousing?



Source: 2020 Insurity Underwriting Survey

Top Considerations

The next new normal for P&C insurers offers challenging conditions on multiple fronts: continuing economic uncertainty, a shrinking ability to count on investment yields to offset underwriting losses, increased frequency and severity of losses—and all while competitors strive to grow their market share. Finding and holding on to good risks has perhaps never been more difficult—or more important to P&C insurers' profitability. Insurers will need to find ways to rapidly adapt. In the end, "business as usual" is no longer enough. Success will hinge on a level of underwriting excellence not previously tested until today.

Building blocks for next level underwriting:

01

Partner to accelerate digital transformation. Consider complexity and total cost of ownership when deciding what to build internally and what to buy. Partnering enables innovation to be very accessible, but when looking at providers, consider the proprietary nature of their platform: how well do they play with others? The new way of thinking is "better together," not "either/or."

02

Think proactive and preemptive. The pandemic has proven the value of preparation. Those with digital capabilities in place adapted much faster in every capacity. How well prepared is your organization to evolve with the pace of technology and digitally adapt to the next unknown? Are your underwriters prepared to capture opportunities that will emerge in the next new normal?

03

Know what you insure, and actively monitor and manage it. With volatility everywhere, getting a handle on your exposures and a real-time understanding of your accumulations of risk—as well as opportunities for growth—is paramount. Do you know how your book will look in 6 to 12 months? Do you have real-time purview into your future performance?

04

Simplify and speed the delivery of insight. Automation takes on heightened importance especially in the current climate of lower investment returns. Finding areas to streamline the underwriting process while speeding the delivery of insight is paramount. How fast and efficiently can your underwriters get to a good decision? How much business can you underwrite without having to manually touch policies?

05

Keep instilling a data analytics-driven culture. Taking your underwriting and data analytics to the next level is as much about embracing a data analytics-forward mindset as it is about sophisticating the use of analytics. Have your underwriters and actuaries bought into the value of predictive analytics? Are you instilling a drive and an appetite for analytics from the top down?

While black swan events that shake the industry and global economy are few and far between, volatility, especially regarding the frequency and severity of many risks, is growing. The COVID-19 pandemic has not only fast-forwarded digital strategies, it has leapfrogged them. Organizations are having to skip ahead and prioritize projects that provide the greatest value in the shortest amount of time. Tapping into partner ecosystems enables insurers to rapidly implement digital strategies, including data analytics solutions that provide the competitive edge needed to more effectively select, price, and manage risk.

Opportunity will emerge from the ashes of this pandemic and those who have taken steps to sophisticate their underwriting approaches—automating decision workflows and embracing analytics as power tools that enable their companies to adapt, evolve, and compete—will win the battle for market share.

"So how will we adapt this time? In a word, analytics. Analytics and data-driven tools are increasingly changing the way both buyers and sellers approach the negotiating table when it comes to risk transfer. Insurers are using analytics to identify macro trends in losses and the drivers of those losses, and to predict the potential impact of emerging risks. The unprecedented underwriting discipline characterizing the current hard market is bolstered by such quantitative analysis."

-Willis Towers Watson, Insurance Marketplace Realities 2021

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