

# Re-imagining Commercial Property Insurance with Digital



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Digital technologies are transforming the small/medium commercial property insurance market, specifically the product development, new business acquisition, underwriting, and claims processes. These disruptive technologies force carriers to alter the way they approach their business.

## Industry Trends and Opportunities

New products in the small and medium commercial space are more granular and industry specific with speed to market being key. Customers will seek to purchase directly from carriers and service their own policies with little to no human interaction, whenever possible and with rapid turnaround when that interaction can't be avoided. Claims servicing, long referred to as the defining moment of truth for insurers, remains so as today's customers are demanding access to their claim and policy information, portals and claim status notifications.

The availability of data in the public domain and from connected devices, when combined with the power of technology in the form of rules engines, mobile platforms, drones and the internet (to name a few), drives this transformation to direct distribution methods. Industry forecasts that the number of connected "things" (devices, sensors and actuators) will reach 25 billion by 2020.

Data shows that small/medium business owners tend to buy professionally in the same manner that they do personally and this will drive expectations. For example, business owners that shop comparatively for utilities, airfare, and supplies will expect to be able to do the same for insurance. In Deloitte's report "The Voice of the Small Business Insurance Consumer", 84% of respondents

indicated that they are "somewhat or very likely" to buy business insurance direct from their insurer. In the same report by line of business, 46% indicated they would purchase property insurance direct, second only to general liability (67%).

Direct distribution will require significant improvements in automated straight-through underwriting for commercial property, powered by rules engines and the availability of real-time data. Underwriting workstations connected to readily available real-time data and featuring the use of natural language integrated virtual assistants will enable underwriters to spend more of their time underwriting and less of their time gathering data. This will facilitate rapid turnaround processes for exception handling.

As alternate distribution methods increase competition, insurers will be forced to differentiate themselves by providing new specialized products and added value services. Insurers will morph from being simply providers of

coverage to a role of risk advisor for small/medium business owners.

Claim trends, and those associated with property claims, occur across the claims life cycle and include (but are not limited to): **Big data solutions** - Insurance carriers are using their decades of internal data and external data sources from social media, the internet, and paid sources like Lexus Nexis. For example, to identify fraud red flags, subrogation, and recovery opportunities through analytic models. **Analytics** - Insurers are using predictive models in a variety of ways across the claims life cycle, for example creating models for segmenting severity of claims, claim assignment, scoring models, to determine



The claims experience will continue to be one of just a few touch points most customers have with their insurer, outside of the purchase. The re-imagining of the claims experience is happening today and this includes the managing and mitigation of property claim losses.

subrogation and/or fraud propensity and for automated reserving capabilities. **Omni-channel experiences** – Insurers are meeting the expectations of today's customers, being able to connect to their insurers any time anywhere with any device. This Omni-channel experience places the customer in the center of the insurer's business model. For example - insurers are offering first notice of loss reporting through apps, uploading of claim photos of damages for claims adjustment, allowing customer access online. **Disruptive technologies** – The use of drones and mobile live video to assess property losses and perform loss control functions are being used today.

Disruptive technology is changing the traditional claims approach, including property loss adjusting. One example is the introduction of live video solutions that provide insurers the ability to see and communicate with their insured at the time a property claim is reported. Through the insured's mobile app, the insured can be instructed by an adjuster to secure real-time video and photos. The insured can then be instructed to have this video/photos uploaded to a claims portal. This technology has the capacity to diminish the need for field adjustment and field appraisal for an estimated 85% of the small claims and an estimated 50% of medium size claims. Live video solutions deliver immense cost savings and drive a major competitive advantage.

## Business Challenges and Solution

Industry trends present unique challenges to insurer. The most important thing in most of these trends is data and how the data is stored, aggregated, mashed up, visualized and ultimately analyzed and consumed for claims and underwriting decisions. Carriers will need to secure access to the data, validate it, and also ensure that privacy concerns are addressed.

In addition, the changing role of the insurer will be particularly challenging as they are confronted with the need to get out of their comfort zone and into non-traditional roles such as risk advisory, mitigation, and direct remediation services. For example, similar to the current model of "preferred shops" in personal auto, carriers may have relationships with building management

vendors, or perhaps their own internal building management services.

Insurers will need to consider the impact of technologies to their claims workflows along with other means of efficiently handling claims, including straight-through processing. They will need to reallocate their resources and evolve from policy providers to provide risk advisory service, helping their customers measure and monitor risks through connective devices, IoT, and big data.

## Challenges in Traditional Approach

Managing General Agencies (MGA's) and brokers have traditionally been the primary distribution channels for Commercial Property insurance. This was driven by the need for local geographic knowledge and familiarity to understand these risks.

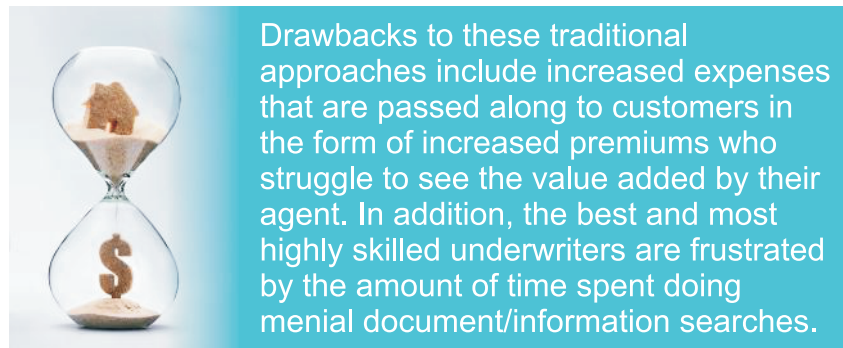
Underwriters were needed to review each submission and validate risks as "independent arbiters" of the risk whose priority was to validate the risk and associated pricing as opposed to sales. While underwriters were required to analyze the risk on each submission, and inordinate amount of their time is spent searching for and gathering information rather than leveraging

their specialized analytical skills.

Traditionally, a property claim has involved the use of an assigned adjuster, an internal company employee or independent, who is paid to survey the property loss and report on the damages. The industry costs for property claims adjustments can average up to \$700 per visit.

## Conclusion

Digital technologies are leading us through a digital revolution of transforming and disrupting insurance markets including product development, new business acquisition, underwriting and claims processes. Many lines of business will be impacted by change. Carriers need to heed industry trends, embrace change, invest in innovation/technology and approach their business models in new and different ways. The future insurer will move from a traditional policy provider to become a partner and risk advisor with their customers, as future risks evolve and shift in the insurance market.



Drawbacks to these traditional approaches include increased expenses that are passed along to customers in the form of increased premiums who struggle to see the value added by their agent. In addition, the best and most highly skilled underwriters are frustrated by the amount of time spent doing menial document/information searches.

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