The insurance technology arms race

Garner advice for selecting insurtech partners and learn how digital tools can streamline underwriting.

By **Anne-Laure Klein and Rob Porter** | novembre 22, 2021

(//images.propertycasualty360.com/contrib/content/uploads/sites/414/2021/11/Conceptual-technology-illustration-of-artificial-intelligence-Article-202111221011.jpg) Of course, no matter how good underwriting systems become, some types of risk will always require at least an element of manual underwriting. Inputs from specialists in niche areas cannot be satisfactorily replicated by even the most sophisticated AI. In those situations, it makes sense for an expert to examine the nuances of the risk, but they too should be backed by a solid analysis of the data, if only to provide a baseline. (Credit: kras99/Stock.adobe.com)

The hype about technology, analytics and the untapped value of data in the commercial insurance space is finally bearing fruit for a wide range of carriers. Tech-enabled, data-driven, automated underwriting is delivering multiple benefits. These include:

- Incredibly rapid, remote underwriting decisions.
- Transparency along the value chain.

- A more profitable portfolio due to improved risk selection.
- The wider social benefits that insurance can deliver as better-informed carriers are able to drive improvements in corporate resilience.

Many of these benefits have been achievable in theory through technology for several years, but it's only lately they've become accessible. Barriers to entry into the algorithmic commercial underwriting space have been lowered through a multiplicity of specialist insurtech's such as Akur8. They make it much more feasible for start-ups like Vave — which deploys an array of insurance products supported by advanced algorithmic functions through a suite of white-labeled API services — to offer bindable quotes to brokers without human intervention. When backed by complete life-cycle risk servicing, that makes for an effective package that's easy to establish.

As the technology behind such systems advances steadily and fast, something of an arms race is occurring. A number of insurance technology companies have been working on a variety of applications to support underwriting and pricing in the SME commercial insurance (https://www.propertycasualty360.com/2021/10/27/few-sme-owners-fully-read-policies-understand-insurance-costs/) space for nearly a decade. Many of them have come to market with truly functional platforms and tools in just the past couple of years. Each platform and approach is different, if only subtly, and the competition between them is increasingly sophisticated.

One way platforms are able to compete is by building in functionality for specific types of clients or markets. The route to victory in the race lies in finding a niche, then exploiting the potential of data to win. For example, insurtechs with an eye to Lloyd's customers active in the U.S. E&S market have developed systems that go beyond standard applications to dovetail with Lloyd's evolving technology ecosystem.

Because of all the competition between technology providers, insurers have many to choose from when it comes to selecting an insurtech partner (https://www.propertycasualty360.com/2021/11/16/wsia-insurtech-committee-explores-the-impact-of-digitalization/). The important place to focus is on what an individual venture is trying to achieve with technology. Those seeking technology partners need to fully understand their own pain points and get the right company in to target them.

There's no one-size-fits-all and every insurtech must be judged on its merits since the series of problems underwriting businesses are all trying to solve is so broad. Rather than thinking "I need to get an insurtech involved to solve all my problems," insurers, broker, MGA or anyone else in the sector should ask, "What are my business problems?" before searching for partners committed to innovation, development, and technology to solve them.

Spaces exist all through the insurance value chain for technology companies committed to innovation, development and technology. Insurers may need to partner with various insurtechs to solve specific challenges which are outside of their area of specialism. Converting data into underwriting action is one common to any commercial insurance company, so it makes sense to seek out an insurtech partner that can help with solutions that match their market and appetite.

Of course, no matter how good underwriting systems become, some types of risk will always require at least an element of manual underwriting. Inputs from specialists in niche areas cannot be satisfactorily replicated by even the most sophisticated AI (https://www.propertycasualty360.com/2021/10/14/how-insurers-can-build-confidence-in-their-ai/). In those situations, it makes sense for an expert to examine the nuances of the risk, but they too should be backed by solid analysis of the data, if only to provide a baseline. In general, the big wins available through algorithmic underwriting are to be made using technology to support pricing of plain vanilla, homogenous risks for which a huge amount of data is available.

That is where the value of data-led underwriting is multi-faceted. It delivers lower frictional costs, improved performance, and cheaper products, all of which make a carrier more competitive. For example, on a combined ratio basis, Vave has enjoyed a six percent improvement in performance thanks to the work it did with Akur8. This is not only a huge improvement but the difference between being loss making and performing well.

Another important advantage on the underwriting side is that data-led approaches such as AI will often detect signals that are not apparent to the human brain. For example, the level of urbanization in the vicinity of a risk is an extremely predictive variable of a whole range of losses, and can be considered by an intelligent system in the blink of an eye. It's "Moneyball" for insurance.

Having the correct set of insurtech partners not only resolves current issues but has the potential to transform insurance businesses. In an era of increasingly technologically enabled competitors, carriers and brokers should consider how insurtechs could strengthen their position, through the clever deployment of data and technology, and remove friction for the benefit of insureds, brokers, and insurers alike.

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