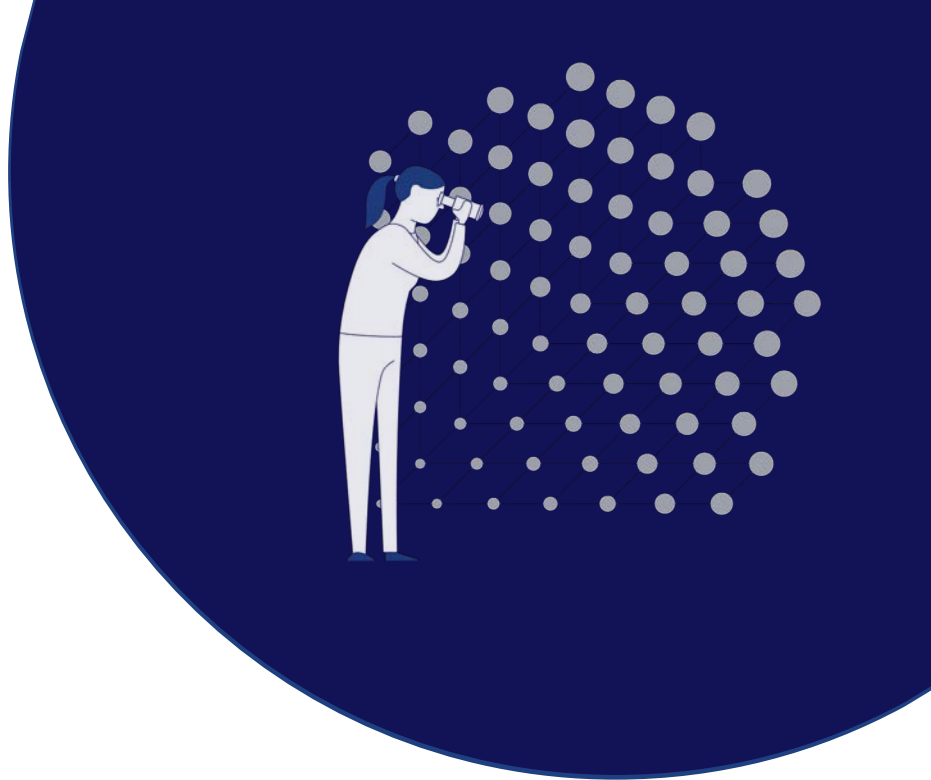


Commercial Insurers

The future in automated
commercial risk assessment



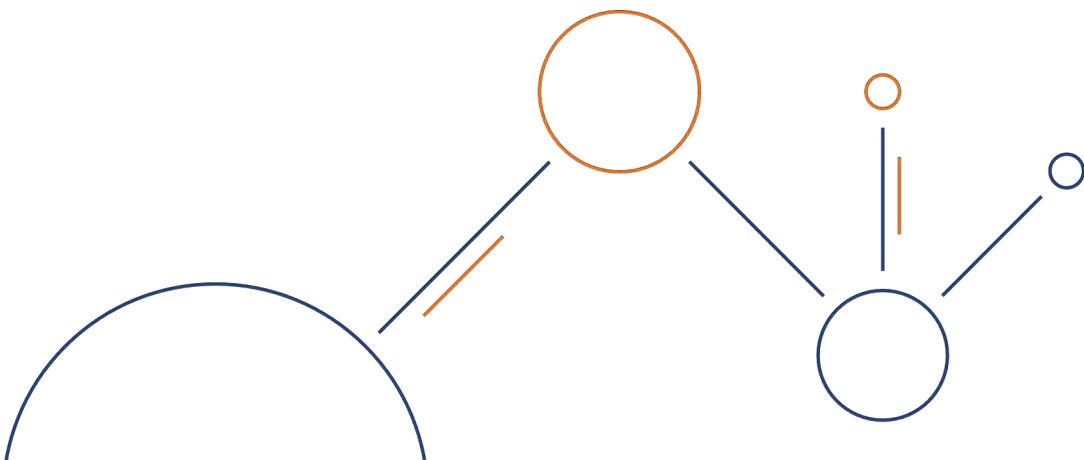
SYNALOGiK



Introduction

The growth in written premiums for commercial insurance over the last five years suggests a promising market opportunity for insurers to grasp.

In 2018, while commercial insurance still had a slightly lower overall GWP compared to personal lines - £22.5 billion compared to £28.4 billion - it had seen faster overall growth since 2013, at 16.2% vs. 10.6%¹.



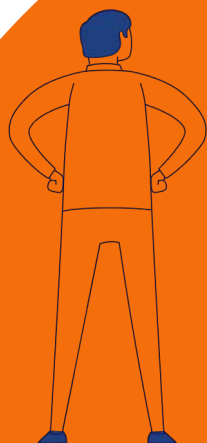
Grasping the Commercial Insurance Opportunity

The question remains therefore what commercial insurers, or those wishing to enter this market, can do to take advantage of this opportunity given its incredibly competitive nature. There are a number of ways they might be able to contribute to this. For example, through the innovative use of advertising, channel marketing, segmentation, product features, and the use of technology throughout their business.

Personal Lines' Experience

By learning from personal lines, there is also much that can be done to drive efficiencies in their processes when assessing risk and to find ways to more accurately price premiums. In turn, driving down loss and expense ratios and improving the overall COR.

Improving COR allows commercial insurers to increase profitability and gives them the wiggle room to price more effectively, introduce more attractive products to the market and gain market share.



What can be learnt from personal lines?

The Value of Data

Data and information are the lifeblood of almost every organisation. In particular, the insurance industry has long used data in the underwriting process with particular focus on consumer P&C. In recent years, there has been an explosion in the amount of data available to insurance companies and there is no doubt that insurers have benefited from the wide availability of this data.

Information such as credit, ID, Claims Underwriting Exchange, DeviceID, geodemographic and MiD have been used extensively and effectively by the consumer insurance industry to verify

and validate information that supports both pricing decisions as well as detecting application fraud which in turn helps to reduce premium leakage.

What about commercial underwriting?

Commercial underwriting has lagged behind somewhat and the use of multiple data sources within underwriting is not as widely used. In addition, the lack of an industry shared commercial claims database means commercial insurers are missing a critical part of both risk and fraud assessment.



How Multiple Data Sources Help

It is critical that a commercial lines providers understand the holistic view of the risk presented; not only the business risk but also the risk from its Directors. Existing data sources such as Companies House, directorships, corporate structure, mortgages and charges, Commercial CCJs insolvency data are helpful to assess the financial health of a risk at policy inception or indeed when the policy is up for renewal.



Overlaying Open-Source intelligence (“OSint”) with your internal databases will allow you to assess any publicly available adverse information, allowing you to make more informed decisions. OSint information is not commonly used but is proving to be a significant, proactive gauge of a businesses risk.

E.g - a company director may have multiple directorships, some of which may relate to businesses that are currently being struck off. An underwriter should be aware of this and other adverse media surrounding the striking off in order to ensure they price the risk accordingly. The omission of this data may lead to premium leakage.

For commercial lines providers, OSint data can reveal crucial information to price risk more accurately.

The changing profile of commercial risk

It is essential for insurers to be able to assess claims against a wider range of external datasets swiftly.

There are a range of risks associated with commercial underwriting, but these are changing quickly, especially in the current pandemic. Many businesses are currently being supported by the Bounce Back Loans Scheme (BBLs) and the Coronavirus Business Interruption Loan Scheme (CBILs) which could potentially create a surge in claims and fraud.

The economic recovery for SMEs may be slow and fraud rates are already climbing significantly across the public and private sector. With the possibility that there may be a rise in the number of fraudulent claims, it is imperative therefore that commercial insurers have access to a wider pool of data to evaluate and then validate or reject claims.

It is people who commit fraud, not companies !!



The Data Conundrum

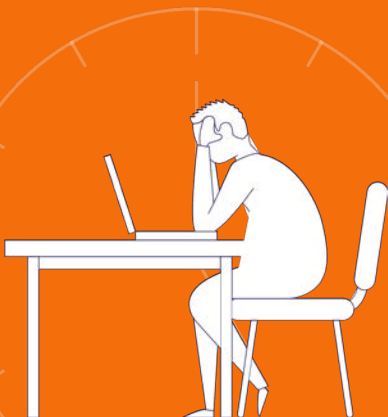
The benefits of more data on the loss ratio are clear in being able to help with pricing premiums more accurately and finding more fraud. **In doing so, you can reduce the size of payouts.**

The downside of more data is the additional time needed to carry out search and report compilation from so many disparate data resources.



Across all lines, **expense ratios** have been increasing, rising from 32.3% to 34.6% over the last five years. This increase in the expense ratio trend is driven by **increasing commercial lines**, where expense ratios have risen from **34.1%** to **40.8%**² from 2013 to 2018.

Clearly, with expense ratios being a problem in the commercial sector, it is an absolute necessity to find a solution where the benefits from more data are not cancelled out by prohibitive expenses around collating information.



The Solution

Synalogik have developed a platform that aggregates third party data sources for the insurance sector. Our software, Scout[®], searches for data relating to companies, people, postal and email addresses, telephone numbers and vehicles. This data covers both public and private data and ensures that a holistic view of the business along with the directors and their other business interests are considered as part of the overall pricing process.

The data is rapidly aggregated from a variety of disparate data sets (consented, financial or open source) in to one consolidated report which can be risk-assessed based on the underwriters' risk appetite. Scout[®] intuitively allows the user to re-search/investigate any new information that has been identified in the first search (by adding additional information to the original search and building out a deeper understanding of the risk); saving precious time when conducting additional checks.



Whilst we can address the needs of commercial underwriters, we also have the ability to allow insurance companies to continuously assess their risks whilst under cover. For example, once cover is provided, we provide the ability to constantly monitor your commercial risk portfolio for key changes in the business which might impact the premium or the terms of the insurance contract.

Scout® has been proven to identify risk throughout the commercial insurance lifecycle in the following ways:

UNDERWRITING

Verify and validate that the information provided is correct and that the appropriate premium is set for the associated risk.

CLAIM INVESTIGATION

Find hidden links that can point to enablement, collusion and organised crime groups.

MTA

Validate/verify the changes required to cover to ensure the appropriate premium.

RENEWAL

Has the business changed significantly altering the risk profile?

RISK MONITORING

Continuously monitor your commercial portfolio for key changes in the business including director suspension, late filing, mortgages/charges etc.

FRAUD

Automated search coupled with link investigation and visualisation, mean the time and tools to find more fraud.

SALES

Are there directors with links to other businesses that could further your sales potential?



If you would like to find out more about how Scout[®] can help you more accurately and faster price risk, contact us below:



www.synalogik.com/contact



Stuart Smith, Commercial
Director (Insurance)
s.smith@synalogik.com



References

1) and 2). Ernst and Young, 2020 Global Insurance Outlook: The drive for transformation and growth - https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/insurance/insurance-outlook-pdfs/ey-global-insurance-outlook.pdf

