EigenTechnologies

WHITE PAPER

How to unlock data to improve outcomes along the insurance policy life cycle

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1. Introduction

The value of data to the insurance industry becomes clearer every day—better information leads to smarter decisions and better management throughout the end-to-end insurance policy life cycle. But it is not enough for an organization to simply accrue more data.

In fact, most organizations struggle to utilize the data they already possess, wasting untapped stores of valuable intelligence plainly in their midst. Insurers today must understand and analyze traditional data with non-traditional tools to transform raw information into insights to give them a competitive advantage.

To do so requires the efficient processing of siloed, unstructured, and non-standard data, beginning with information extraction and continuing along to the analysis and decision-making stages. While high volume personal lines have improved their digital processes, often through standardized, digitized submissions, commercial property and casualty lines still suffer from analog processes. They rely on paper contracts and records that follow labor-intensive manual workflows requiring data to be rekeyed into multiple systems.

Investment banks long faced the same obstacle, but in recent years have leveraged natural language processing (NLP) to overcome the challenge and unlock the potential of data trapped in unstructured formats such as loan agreements. NLP technology, a subset of Artificial Intelligence, drives computer recognition of human language and enables fast and accurate dissemination of information in text-laden documents to improve business outcomes.

Bankers now quickly turn piles of paper into data-driven insights that inform decisions. As a result, these firms have been more productive and profitable through digitally transformative processes, enabling them to prosper both now and in the future.

This success has led many in the insurance industry to look to and learn from investment banks and apply NLP to their processes and workflows. To realize the promise of streamlined data gathering — and thus better data usage — insurers should look to the unique life cycle of the insurance process and embed NLP tools where they will be most effective. These tools are a gateway to increased revenue, enhanced risk management, and improved operational efficiency that concurrently enables firms to understand and serve their customers better.

The key — extraction and organization of information early — manifests in data output that is accessible immediately across an organization and pays dividends throughout the policy life cycle.

2. Extracting and connecting value

For insurance providers, the policy life cycle can appear to be a set of discrete, isolated stages, each with a beginning and an end, one after the other. Approaching those stages instead as a cohesive life cycle — connected by data — helps spotlight crucial areas where value can either be gained or lost depending on how well the data is handled. It's in these areas, often overlooked or underappreciated, where seemingly minor gains in data quality can lead to major leaps in business productivity, decision-making and customer satisfaction.

This white paper examines data's central role in the process of creating, managing, and servicing an insurance policy, the importance of getting the data right at the underwriting stage, how redundancy and incomplete or bad data lead to value leakage, and why this is pivotal for carriers, who stand to gain from the lessons learned in investment banking.

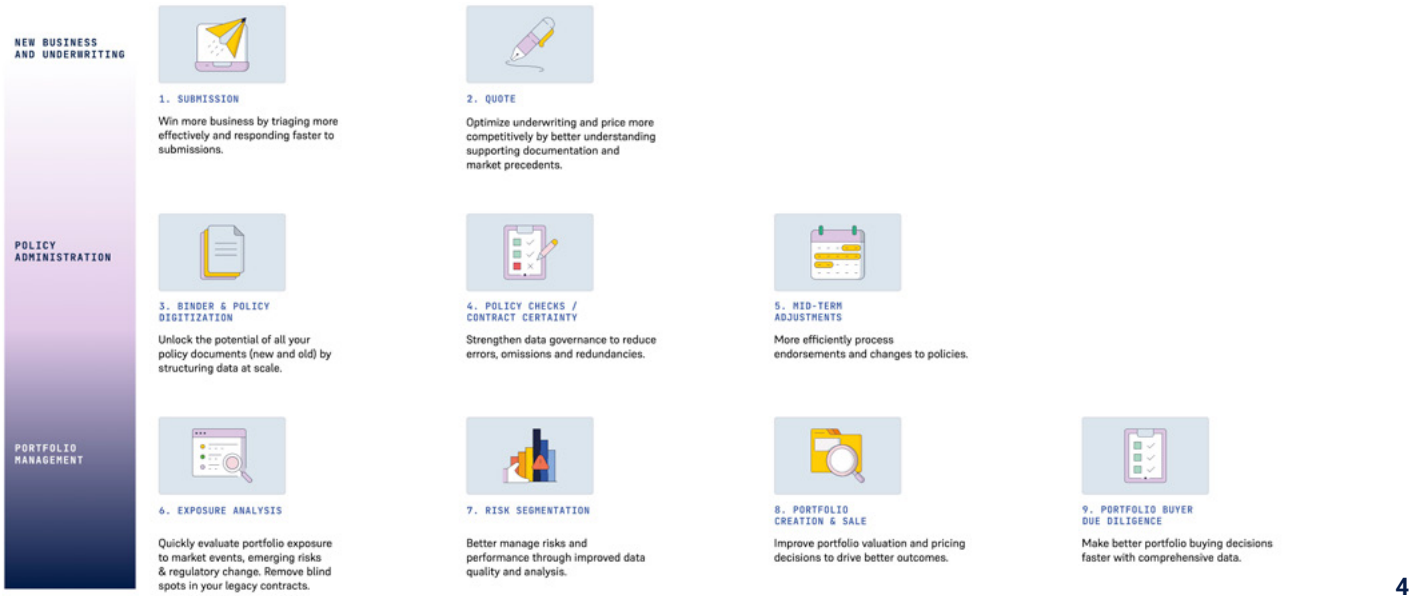
All policies progress through a life cycle from the early stages of submission and underwriting to binding, onto ongoing administration (including annual renewals for P&C) and due diligence culminating in maturity or transfer. The stages may vary depending on the type of insurance, the specific needs of the insured party, and the structure of the insurer, but there is a flow to each policy. Similarly, regulations and requirements vary based on insurance category and geographic region, but no matter the location at the core of each stage of the policy is data, which should flow with effortless consistency.

3. The policy life cycle

Once a submission is made, the life cycle and related process commences. Envision a journey — the life cycle — in which the information gathered and disseminated at the beginning will inform each successive stage and provide actionable insights for future transactions.

Throughout each step of the life cycle, opportunities exist to take advantage of data in dynamic and seamless ways that provide a competitive edge. On the flip side, failing to fully utilize and integrate data to the fullest will sap time, energy, and insight from your organization.

In the diagram below we look in more detail at the policy life cycle, and how data connects one stage to the next and can improve productivity, performance and ultimately profitability throughout.



The stages in the policy life cycle that benefit the most from faster access to enhanced data are:

New business and underwriting:

SUBMISSION

For carriers who manually wade through a daunting flow of incoming requests from brokers, days and even weeks can be spent reviewing submissions, many of which won't result in any eventual business. But employing an automated process supported by NLP-capabilities can filter, analyze and provide answers on submission data in minutes, increasing capacity - and accuracy - at this crucial stage.

QUOTE

Underwriters, working off technical pricing models, must rapidly and rigorously review supporting documents (such as loss runs, engineering reports and prior year policies that need to be renewed) and integrate precedents in market pricing to enhance the models and deliver competitive quotes.

Doing so requires data tools that optimize the relevant data and help contextualize pricing decisions faster and more thoroughly. Redundancies and bottlenecks of information lead to value leakage for underwriters, an issue that carriers can't afford in today's competitive landscape.

BINDER/POLICY DIGITIZATION

Of critical importance in the life cycle, this is where the ability to structure the data within binders and policies at scale will unlock vital data analysis further downstream. Failing to capitalize here can slow or prevent insights further along the life cycle, resulting in not just one missed opportunity but many.

Speed and accuracy are key to winning business in the submission-quote-bind stages, as brokers allocate business to carriers based on who is quickest to respond. Faster and more efficient submission triage means more of the right business is underwritten, increasing capacity, and reducing information leakage. Likewise, delays in any of these stages, or inaccuracies in the data slows the process and creates headaches for insurers and their clients at latter stages of the life cycle.

Example usage scenario #1

A multinational insurance firm optimizes underwriting capacity by 50% by automating previously time-consuming steps in the submission workflow. With 50x faster access to better quality data, they prioritize the best opportunities and respond to brokers faster, winning more of the right business as a result.

Policy administration:

POLICY CHECKS/CONTRACT CERTAINTY

The policy then undergoes a detailed review to reduce errors and omissions and ensure accuracy. Having the right data in the system as it proceeds through this stage protects against redundancies in the administration of the policy, strengthening the data governance and maximizing its overall value.

MID-TERM ADJUSTMENTS

The processing and recording of change and endorsement requests from brokers can be automated decreasing the time and human effort required to handle them. This also leads to better data hygiene which prevents delays and disruptions further down the line.

Example usage scenario #2

A US health insurance company which has to handle state-by-state policy variations achieves cost savings of 80% by automating data entry and policy checking processes. The resulting data is more accurate and also readily available across internal systems.

Portfolio management:

EXPOSURE ANALYSIS

The policy needs to be reviewed in response to market forces/changes, events, or regulatory requirements, such as risk exposure during a pandemic. The human time and cost of these reviews can be dramatically reduced when supported by automated technologies, significantly increasing overall productivity. A more thorough and comprehensive review can be undertaken to remove any blind spots in legacy contracts.

RISK SEGMENTATION

More granular and concentrated policy reviews allow for better recognition of meaningful dynamic/fluid groupings of risk that can then be analyzed in-depth to identify the true drivers of performance. This enables a more complete view of risk that enhances future underwriting decisions.

Example usage scenario #3

A global carrier builds on their market-leading position by gathering granular data at scale across their diverse policy portfolios. Leveraging this unique dataset enables them to better segment and understand risk, and provide their customers with value-added risk management services.

PORTFOLIO CREATION AND SALE

The seller must decide which policies to sell, aggregate data on the policies, and then price the policy portfolios effectively. Proper valuation and pricing depend heavily on the integrity of the data throughout the life cycle.

PORTFOLIO BUYER DUE DILIGENCE

The buyer does due diligence on the policies within a portfolio. Effective buying decisions are made more quickly when comprehensive data is available.

Ensuring the integrity of the data at each and every stage is crucial. Relying on time-consuming manual steps and outdated data management tools leads to issues of inefficiency, waste, and poor decision-making.

4. Getting the right data, and the data right

Digital transformation continues to shape both business and society, through advancements that explore new possibilities with previously untapped data. Accumulating more data is enticing, but generating top and bottom-line results requires the ability to strategically convert the data you already have into actionable insights.

NLP and machine learning offers organizations the ability to maximize data like never before, no matter whether that data is structured and standardized or unstructured and freeform. Structured data is highly organized and easily decipherable, commonly consisting of information like names, dates, and addresses. Unstructured data is more qualitative and immune to analysis by conventional data tools and methods.

It's commonly accepted that upwards of 80% of unstructured data goes to waste, with firms failing to extract, classify and interpret it in order to utilize and analyze it effectively. If employees are inputting, cataloging and managing large troves of data by hand there is a loss of not only time but also insight and accuracy.

A good NLP platform optimizes data by mining thousands of documents with pinpoint accuracy, building models that quickly and effectively retrieve information. More importantly, it also frees your team from spending time reading, and re-reading, documents, instead offering them the ability to make informed, data-driven decisions.

5. The ‘3 levers’

So how can a data-driven policy life cycle provide optimal efficiency and improve your top and bottom line? By pulling on the three levers that drive success.

LEVER 1 - REVENUE GENERATION

By automating information capture and analyzing data more quickly and effectively, you can vastly improve the efficiency of the underwriting processes increasing capacity, and ultimately revenues, as a result. You’ll see your quote and bind rates improve while your underwriting cycle time reduces. And the insights you gather will help inform your customer acquisition and retention plans.

LEVER 2 - RISK MANAGEMENT

How can your business better understand exposure to evolving market events, as well as use your historic policy data to underwrite more effectively? Indeed, the answer is data-driven decision-making that constantly improves as more information passes through the system. You can also develop value-added risk-related client services using the data you compile.

LEVER 3 - OPERATIONAL EFFICIENCY

Data-driven decision making allows an organization to support, and improve, business at reduced costs, allowing teams to systematize and scale specialized knowledge, even during times of personnel changes. Maximize the talent of your team by freeing them from time-consuming manual processes and letting them focus on the highest-value work. Using APIs, you can also integrate with existing systems improving data availability and integrity cross-functionally.

6. Closing case

The insurance industry is at a crossroads, and there exists an opportunity for businesses in the industry to gain a competitive advantage by better extracting value from their data.

Efficiency starts with underwriting and flows from there. Insurance is a data-rich domain and agents, brokers, carriers etc. can reap immediate, organization-wide results by using machine learning to unlock the value of information siloed in a seemingly endless collection of documents.

Insurance firms possess and continue to accumulate massive amounts of data resulting in value leakage if you're unable to locate, extract and analyze the right data at precisely the *right* moment. This is where the competitive advantage lies, and where the potential for value exists. The next step in the evolution of the insurance industry begins with exploiting that value, and unleashing data in a brand-new way.

If you want to digitize policies and other insurance documents to drive better outcomes across your business, we can help. Non-technical users within your organization can harness the power of machine learning to extract critical data from documents and unstructured datasets rapidly and easily. Get in touch to find out more and request a demo of our platform.

ABOUT EIGEN TECHNOLOGIES

Eigen enables its clients to extract answers quickly and precisely from their documents, so they can better manage risk, scale operations, transform ways of working and navigate dynamic environments. Eigen's customizable no-code AI-powered platform uses machine learning, natural language processing and object detection to automate the extraction of answers from documents and datasets and can be applied to a wide variety of use cases. It understands context and has proven to be more flexible, accurate and secure with better connectivity and a far faster time to value than alternate solutions. Our clients include some of the most well-known and respected names in business, including Goldman Sachs, ING, Hiscox, BlackRock and Allen & Overy. Almost half of all global systemically important banks use Eigen to overcome their data challenges.

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