

## Technology Innovates and Transforms Insurance Underwriting

*John Belizaire is CEO of FirstBest Systems, a leading provider of underwriting workstations for commercial and specialty lines insurers. He recently sat down with ITAPro and answered a series of questions on technology's role in underwriting and the value insurance carriers can receive from such investments.*

**ITA Pro:** How has technology impacted the practice of underwriting?

**Belizaire:** Technology has enabled underwriters to innovate and transform underwriting. The first area of advancement is predictive analytics. Underwriters now have the ability to use predictive capabilities that apply risk intelligence data from both inside and outside the company to help predict the impact of perils or losses around the risk they're reviewing. Second, underwriting has become more data driven. Underwriters can enhance their risk assessment precision with data that doesn't necessarily originate from the producer or the insured. Finally, I think underwriting automation is now table stakes. In the new age of underwriting that relies upon and embraces the science of risk, a manual or even semi-automated risk assessment environment is a barrier to building and maintaining competitive advantage. In fact, underwriting technology and workflow process management really has become a minimum requirement for being a leading underwriting operation that can contribute directly to the growth and profitability of insurers.

**ITA Pro:** Do market conditions influence the need for underwriting technology?

**Belizaire:** The industry is under stress due to a number of macro trends. There's a tremendous influx of capital from private equity, municipalities, and hedge funds. This puts pressure on insurers to use capital to grow, and grow fast. Because there is more capital chasing limited opportunities, there's increasing pressure on price and therefore on profit. So insurers seek confidence that the increasingly complex risks they are taking on have received a rigorous assessment and will likely be profitable. Meanwhile, low interest rates have decreased the returns on insurers' investment portfolios, leading carriers to demand better performance from underwriting. And insurance is no longer a local business, but a connected—often global—enterprise, making strategic and proficient underwriting automation a fundamental initiative for many insurers. Today and for the foreseeable future, the performance of insurance companies will be largely determined by how well they can combine data and risk analysis to drive profit.

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FirstBest® Systems, Inc.

213 Burlington Rd  
Bedford, MA 01730

(888) 863-6095

**Contact us**

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***ITA Pro: Are there strategic benefits and key paybacks for replacing legacy risk assessment tools and processes with modern underwriting technology?***

**Belizaire:** Replacing legacy systems with modern underwriting technology delivers three key benefits. The first is ability to scale. Many legacy systems are preventing the transformational goals that companies envision, including entering new markets, deploying products quickly, and rapidly assessing risks that are coming in through their distribution channels. The second is discipline. Underwriting decisions typically drive almost all of the profitability of insurers, and the decisions that underwriters make directly impact loss ratios. So, systems that digitize best practices for underwriters on a single platform can deliver better underwriting decisions, which creates a stronger, more responsive underwriting operation. The third benefit of modern underwriting technology is establishing the solid foundation for data-driven decisions. Underwriters can now make decisions that are not just based on their experience to date, but also on the intelligence of contextual data. Today, underwriting-focused technology can harness all types and layers of data to help enhance the real view of risk so underwriters can make better, more informed decisions.

***ITA Pro: How important is data analytics to underwriting, and how can new data sources be applied productively in the underwriting process?***

**Belizaire:** Access to quality data and timely analytics can now boost underwriting in three areas: verification, augmentation, and prediction. Underwriters get information from all types of sources, and often the data they gather may be flawed or incomplete. The application of analytics can help verify risk information. The availability and provision of missing data can help underwriters augment perspective about the risk, for example, with aerial imagery of a commercial property or surrounding neighborhood, and information about extreme weather events in the area. And sometimes underwriting decisions can be measurably enhanced with the predictive power of a larger set of experiences from both the company and the entire industry.

***ITA Pro: Can underwriting technology complement policy administration systems? If so, why and how?***

**Belizaire:** Underwriting systems focus on managing the risk evaluation decision. Policy systems support the policy and the risk across the entire life cycle of the policy. If you zoom in on underwriters' decision-making processes, they're evaluating information. They're collaborating with their peers, interacting with partners outside the company, organizing and accessing data, and developing knowledge around a true picture of the risk. It's a complex, iterative process that unfolds before an insurance decision is made and before a policy exists. Accordingly, underwriters truly need a rigorous system that makes a highly intricate decision process more efficient. That's what underwriting technology is all about, as an important precursor and complement to policy management.

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***ITA Pro: What perspectives would you offer to insurers looking to boost underwriting performance as an engine for growth and profitability?***

**Belizaire:** Executives are continually under pressure to grow their business fast. Many see underwriting systems as a way to greatly improve the performance of their companies. More and more, insurers are emphasizing underwriting quality as a key to profitability. As a result, underwriting executives are under pressure to design more speed, scalability, and consistency into their underwriting operations. If they can get every underwriter to assess risk as well as their best underwriters do, the company can gain significant benefits. Those executives are looking for their underwriting operations to extend best practices, streamline collaboration with agents, and simplify peer reviews and referrals. In addition to writing more business, writing the right business is a key imperative. As insurers enter new markets or look to expand in their current markets, there's an intensified focus on identifying solutions to support choosing the best risks for the company's portfolio.

***ITA Pro: What results and outcomes should insurers expect when they implement underwriting technology?***

**Belizaire:** According to our customers, a key outcome of modernizing their underwriting technology is significantly better agent and broker relationships because refined underwriting systems have freed up their underwriter's time to develop deep relationships with agents and brokers. The experience of their distribution partners is greatly enriched when underwriting operations are responsive and streamlined. Another key outcome is faster decision making. The faster underwriters can make a high-quality decision about a risk, the more quality business can be won. Insurers should also see a reduced loss ratio because underwriting systems standardize processes for all underwriters and their markets. In addition, focused underwriting technology can establish account-driven underwriting. Understanding and being set up to serve the full scope of insureds' needs makes the insurance provider a winning, long-lasting partner.

***ITA Pro: Are there some key best practices around deploying and leveraging underwriting technology?***

**Belizaire:** In our experience, it's essential to start with a focus on the ideal underwriting process and driving more efficiency into that process. Other important steps are integrating efficiently with systems that are central to the underwriting process, including reliable connectivity to policy and claims systems, and integrating data, particularly in relation to new data sources that can further illuminate and improve underwriting decision making. Finally, it's important to use advanced technology to focus on true visibility into risk assessment and to develop analytic and predictive models to support underwriting operations.

***“The faster underwriters can make a high-quality decision about a risk, the more quality business can be won.”***



**ITA Pro: What do you see as the next steps in the evolution of underwriting operations and technology during the next two to three years?**

**Belizaire:** The biggest driver we see now and over the next few years is a changing of the guard at many insurers where new leadership is more analytically inclined. We often meet with companies when they have just hired a new chief underwriting officer, CEO, or SVP of distribution. Typically, those executives have a mandate to shake things up and find innovative ways to compete in an ever-changing market. They quickly realize the need for new tools and a strategic front-office platform that allows them to digitize and transform. In many cases, that platform is an advanced underwriting workstation that leverages data analytics and delivers powerful, real-time, and actionable insight. Once an insurer experiences the agility, collaboration, and analytics provided by today's underwriting technology, they want to implement those changes in their organizations. We see the new generation of CEOs and CIOs leading the charge for such solutions.

## Contact us to learn how underwriting technology can help you:

- ✔ *Improve efficiency by eliminating the need to access multiple systems to analyze risk data*
- ✔ *Enable real-time collaboration between your producers and underwriters*
- ✔ *Enforce underwriting discipline by propagating underwriting best practices throughout your organization*

