

## Streamlining Submission Intake in Commercial Underwriting for Middle Market Segments

Automated data extraction of submission documents combined with manual prequalification by support staff will dramatically improve the quality of data that reaches the underwriter, leading to better risk segmentation and pricing.

### Executive Summary

Many of the challenges faced by insurers in commercial underwriting, specifically in middle markets, are directly related to the way submission data is managed and used. Underwriters must spend time on data collection, validation, case triaging and post-issuance activities that often compete and siphon time from more critical tasks such as risk exposure identification, risk segmentation, loss analysis, rating, negotiation and pricing.

Our experience with clients shows that data collection and management continues to be predominantly manual for many insurers, which leads to poor data quality and completeness. While insurers have tried to bring efficiency to the process by using external vendors to support the data extraction process, this still does not solve the problem of data quality and the multiple iterations with agents to gather missing data. Though automated tools are available that extract data from ACORD forms and convert them to the standardized ACORD XML format, they do not

handle the supplemental documents such as broker specifications, loss runs and schedule of values that accompany the ACORD forms. This is due to the fact that the supporting documents sent by agents often arrive in different non-ACORD templates and also in different formats like Excel, PDF and image, which require separate extraction algorithms.

This white paper examines the pain points that insurers face in underwriting and specifically in submission intake, especially in middle market segments. We then look at the typical submission intake process followed by most insurers and suggest an optimized way to bundle submission intake and prequalification through a combination of automated solutions and manual review, which results in a case that is fully prepared and ready for underwriter analysis. Such a streamlined process can dramatically improve the top and bottom lines for insurers and enable underwriters to focus on risk consulting and relationship building rather than data management and case preparation.

## Here and Now

Commercial underwriters are continuously seeking ways to improve effectiveness and ensure that the price for a submission reflects the insured's risk characteristics to the best extent possible. A key factor influencing this is the quality of the submission data used for risk assessment.

The way in which most insurers currently manage submission intake has various opportunities for automation and optimization. With the right combination of automation and manual prequalification by support staff, the submission intake

process can be streamlined and the data quality of submissions can be increased considerably.

If done right, submission intake can have a great impact and be a catalyst from an operations perspective as well as underwriting risk selection and pricing. It can sharpen the underwriter's pencil as well as significantly decrease the turnaround time.

Based on our experience in working with several commercial insurers, underwriters spend about 15% of their time in validating and preparing submission data.

## Key Underwriting Challenges

Underwriting organizations that address middle market segments face many challenges, as depicted in Figure 1. Process inefficiencies lead to considerable time being spent on data management and communicating back and forth with the agents/brokers. Roughly 90% of the underwriter's effort and time does not translate into new business for the carrier. Based on our experience in working with several commercial

insurers, underwriters spend about 15% of their time in validating and preparing submission data. This has the associated opportunity cost of leaving underwriters with far less time to focus on core underwriting activities and write new business. Underwriting transactions take anywhere between one to three months, depending on the size of the account and the processes followed by the insurer. Issues in data quality and availability lead to poor risk selection and premium leakage. There is also a need for more sophisticated tools to determine the health and risk appetite of the portfolio and ensure insight-based decision making.

## How Does Submission Intake Happen Today?

While the primary source of commercial underwriting assessment is the set of application forms received from the prospect insured or intermediary, underwriters use multiple sources of information to decide on an underwriting application. This includes financial history and rating, loss control surveys, loss runs, prior carrier history, catastrophe risk reports, geo-spatial information, etc. The primary methods of submission are via e-mail (MIME) from agents and agent portals. More than 70% of the submissions arrive through these two channels with almost 50% coming in via e-mail.<sup>1</sup>

The submission data in the e-mails vary in type and format. A typical example is a string of attachments by e-mail containing an ACORD new business application, the schedule of properties in spreadsheet mode and the loss runs in PDF format. Data representation varies by agents as well. To support the submission process, insurers typically use external vendors, which manually key in data from the submission forms onto the

## Underwriting Challenges

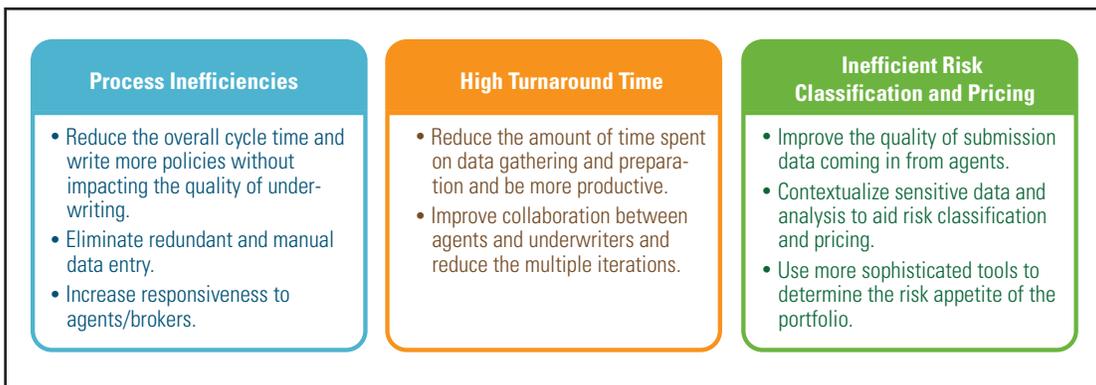


Figure 1

## Pain Points in Submission Intake



Figure 2

systems. This data is then transferred to the insurer systems where the underwriter assistants, raters and underwriters spend considerable time validating the information and completing any missing information. Most of the time, only data from ACORD forms is manually extracted and the supplemental information remains as attachments to which underwriters refer while analyzing risk.

Some insurers manually extract data in-house. Regardless of whether this process is handled in-house, data is not typically assembled to fit any particular data messaging standard (e.g., ACORD XML). Underwriting assistants must validate and prepare the extracted data before it can be analyzed by the underwriter for risk appetite and pricing. Even then, many of the quick-kill policies are not identified up front by the underwriter assistant. Our experience in working with multiple commercial carriers suggests that approximately 60% of the submissions are declined before the quote is generated.

### Challenges and Issues with Current Submission Intake Process

The above intake process throws light on how some of the underwriting challenges that we discussed earlier can be attributed to issues with the submission intake process. Figure 2 shows some of the pain points in submission intake.

Some submission-intake-related issues can potentially be addressed if insurers had more effective-

ly embraced agency upload (i.e., using dedicated applications to handle the submission document process). However, agency upload is still seen as a Holy Grail within the P&C industry. The nature of the industry’s three-way relationship (insurer, agent and insured) along with the enormity of data-intensive transactions have ensured agency uploads will not become a primary channel for submissions in the near future.<sup>2</sup>

### Optimized Submission Intake Process: Our View

Ideally, a major component of risk evaluation should happen during the intake process itself. Data intake should also shift from today’s manually-intensive extraction process to a “data qualification” process. Intelligent tools can be leveraged to extract data automatically from submissions forms, irrespective of data format, document type or channel of submission. Once data is extracted, the informational elements should be assembled and packed into industry standards (like ACORD XML) that can be consumed by carrier systems. Manual intervention can ensure the validity of the extracted information and completeness by gathering missing information and adding third-party data information where needed. Basic analytical models can be run to determine the risk appetite and a preliminary risk score. Thus, the submission that reaches the underwriter will be prepared and fully ready to be analyzed. A comparison of the current and proposed view of submission intake is depicted in Figure 3.

## Submission Intake: Current and Proposed View

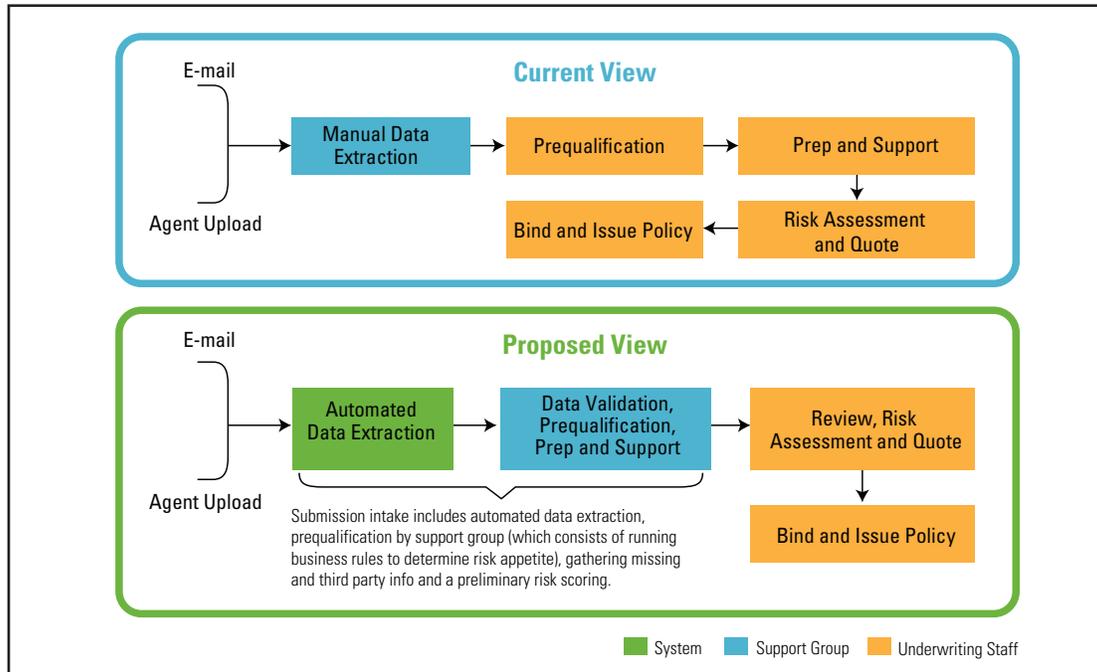


Figure 3

Automation in the submission process can help insurers in multiple ways, enabling them to underwrite better. Here are a few potential benefits:

- Faster turnaround of quotes:** Quote more business in less time by reducing time spent on extracting data from forms and documentation. This provides the underwriter with more time to do core underwriting activities rather than waiting on forms to be transcribed and do quality assurance on transcribed forms. This also enables the insurer to become a carrier of choice for independent agents.
- Effective and faster appetite determination:** With today's business process, agents sometimes are unsure of a carrier's appetite for accepting risk. Automating submission, without necessitating the agent to log in to a carrier Web site or do complex uploads, is the low hanging fruit. Agents can e-mail the scanned forms with NAICS code or SIC code and carriers can instantly communicate back if the risk is within their appetite. The data prequalification accompanying the intake process can further determine if the submission meets the insurer's underwriting guidelines, thereby filtering some of the unwanted risks before it reaches the underwriter.
- More meaningful measures and metrics:** Over a period of time, insurers can identify measures and metrics and derive the agent's submission data quality pattern. This will help define priorities for further collaboration and training of agents for long-term improvements.
- Avoid excessive processing and reduce effort on quality assurance:** Identify common errors and ensure the validity of content through the use of automated business rules. This will avoid excessive processing of forms that had incorrect informational content. It will also help in identifying missing information at the outset and alert underwriting staff early in the submission process to level-set expectation with agents. This also reduces effort spent on quality assurance by raters and underwriting assistants.
- Apply analytics:** Run basic analytical models to generate risk scores, identify quick declines and ensure compatibility with insurers' portfolio appetites.
- Automate further:** A standard packaging of extracted data into industry standard XML allows the insurer further flexibility to automate basic underwriting data preparation tasks. For example, information extracted from insurance application forms (ACORD applications) can

be used to order a variety of information from third-party sources such as financial scores, claim loss history, catastrophe analysis reports of premises, etc.

- **Leverage upload capability for other channels:** By performing a business entity mapping of standard forms, insurers can easily leverage the investments they have made to make their systems upload ready for regular channels (“snail mail,” e-mail and faxes).
- **Establish service levels by agents:** Automating by utilizing a data extraction utility can incorporate priority levels of data extraction in batches. These priority levels can be determined by insurers on various parameters such as agency of record, line of business and geography.

The success in tackling the challenges and automating the submission process relies on two important factors:

- **Right selection and use of technology:** Advancements in optical character recognition and insurance data exchange standards need to be leveraged completely during the submission stage. Technology should be flexible enough to handle multiple file formats and content that an insurer typically receives from agents.
- **Realignment of submission process objectives and the workforce:** With technology adoption, transcription throughput should no

longer be a concern. Emphasis should be on validating form completeness and underwriting case preparation. Once the case is considered for perusal, submission staff should be empowered to obtain the necessary territory clearance, preorder reports and initiate risk profiling. This view assumes investments in domain training for submission processing staff.

## Conclusion

It is high time for carriers to reexamine the submission intake process to achieve distinct competitive advantage. Any process or technology improvements in submission intake will instantaneously allow underwriters to focus on better risk selection, pricing and customer excellence and not worry about the operational inefficiencies and other activities that add little value to the organization.

A properly balanced combination of automated tools and manual prequalification support will highly improve the quality of the submission that reaches the underwriter for review. This will translate into underwriter efficiency and effectiveness and also reinforce long-standing relationships with the agents and brokers.

**Technology should be flexible enough to handle multiple file formats and content that an insurer typically receives from agents.**

## Footnotes

- <sup>1</sup> Deb Smallwood, “Underwriting Automation: Insurer Plans and Trends,” SMA, February 2012.
- <sup>2</sup> Peter Symons, “The Problem with SEMCI and What Can Be Done About It,” OARBIC.

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## About Cognizant

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