White Paper

Empower Your Commercial Portfolio with a Comprehensive, Automated Loss History Database

Be the carrier of choice.
Industry leaders are simplifying their quoting process by automating loss runs.

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Executive Summary

In the pursuit for improved profitability in commercial property and casualty (P&C) insurance, carriers aim to create a complete picture of each proposed insured's loss history. One of the key stumbling blocks to achieving this is the need to manually collect and review loss runs from the insured's prior carriers. The process is inefficient and labor-intensive, and the results often insufficient for disciplined, informed underwriting.

Carriers can simplify their quoting process by automating loss runs with a contributory loss history database. A contributory loss history database is a centralized repository of data where every contributor receives real-time access to the industry-wide dataset. It can enable carriers to:

- Reduce underwriting expenses
- Discover profitable growth opportunities
- Improve risk selection
- Increase customer satisfaction

Introduction

Commercial insurance carriers are always striving to improve their underwriting and portfolio management capabilities. One of the barriers to achieving these goals is the need to manually assemble a proposed insured's loss history for each quote. In principle, these loss runs provide critical information needed to achieve accurate underwriting and profitable pricing. In reality, they're inefficient, labor-intensive and lead to higher underwriting expenses.

Manual collection of a proposed insured's loss history can place carriers in a lose-lose situation: they can collect sufficient loss history data and extend the quote-to-bind process by as much as 10 days, or they can speed up the quoting process by proceeding with a limited or inaccurate risk profile of an insured. Even if a proposed insured's loss history data arrives in a timely manner, it may not be in an easily digestible format—and a lack of industry standardization means the format may vary across prior carriers.

Rather than suffer through manual loss runs, carriers can automate the process by using a contributory loss history database—a centralized source of reliable industry data. Such a database benefits the industry as a whole, with greater transparency and data standardization. Each contributor also benefits by gaining access to critical real-time data.

About the Author

Ernie Feirer is the vice president and general manager of commercial insurance in the insurance solutions division of LexisNexis® Risk Solutions, where he is developing a suite of products and services for the commercial insurance market.

Within LexisNexis Risk Solutions, Ernie has held roles as vice president of product management and analytics in the insurance solutions division, and vice president and general manager of the claims solutions division.

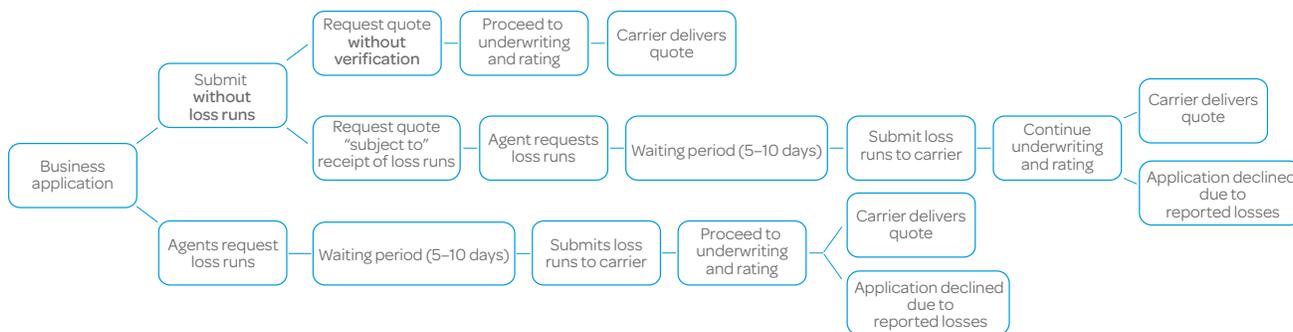# Challenges to profitability in commercial insurance

Figure 1. Manual loss runs complicate and prolong the quoting process.

As shown in Figure 1, the process of requesting, collecting and submitting loss runs during a quote can add 5–10 days to the quoting timeline. While some carriers may resign themselves to this inefficiency, the cost is likely more than they expect.

High underwriting expenses
Loss run collection is inherently inefficient, which increases costs for both carrier and agent. Manual collection and validation of data is not only labor-intensive, but can also yield incomplete or inaccurate results. Furthermore, manual data entry to rating programs can introduce errors and produce a price that does not match the risk.

Lost premium opportunities
By collecting loss runs manually, carriers have limited means of verifying that they have an insured's accurate and complete loss history. At both point of quote and point of renewal, undisclosed losses present opportunities to ensure adequate pricing—if a carrier has the right information.

Additionally, at point of renewal, many carriers don't collect updated loss history information. As a result, they don't know if there is new information in the insured's loss history that might affect the renewal quote, such as changes in reserves from pre-existing claims.

Poor risk selection
All else being equal, customers will naturally choose the most competitive quote. However, if that quote is based on incomplete information or poor understanding of the underwriting risk involved—which is a common challenge with manual loss runs—then carriers can be vulnerable to adverse selection.

Customer dissatisfaction
Agents are often dissatisfied with the time and effort required to request and submit loss runs for an application. These inefficiencies drive up costs and create a poor customer experience for the insured. Understandably, agents are gravitating toward carriers that are easy to do business with—those with simplified processes that make it easier for an agent to place the risk.

The solution: Contributory loss history database

Manual loss runs may seem like a necessary evil, but there's a better way to do things. The solution is to automate loss runs, enabled by a contributory loss history database: a centralized data repository where every contributor gets access to the collective, industry-wide dataset.

Contributory databases provide:

- A centralized, reliable source of information that is more robust than any single contributor would have individually
- Standardized data that enables data verification and streamlined processing
- Real-time results that help carriers improve efficiency and prevent fraud
- Industry-wide transparency

What to look for in a contributory loss history database provider

First, the provider should be a trustworthy, neutral third party. Second, the provider should have the brand, experience and scale to drive maximum contribution rates—which, in turn, creates maximum value for each contributor. Furthermore, the provider should offer:

- Experience and best practices in building products for the P&C industry
- Robust technical capabilities to handle complex data in a variety of business scenarios
- Quality assurance processes to ensure data quality and file compatibility
- Multiple ways of accessing information, such as web-based portal, system-to-system integration and batch processing
- World-class security

P&C carriers should also ensure that a contributory database provider is capable of meeting the industry's unique needs. For example, they should consider whether the provider can:

Help carriers by providing solutions that minimize difficult regulatory requirements

A dedicated database for commercial insurance minimizes the amount of difficult regulatory requirements carriers are obligated to comply with.

Personal lines make the most of a contributory loss history database

The idea of a contributory loss history database isn't new. In fact, carriers in personal lines have been using loss history databases for more than 25 years. In addition to obtaining valuable insights for better underwriting, the industry has benefited from improved data quality and transparency, especially given the high transaction volumes in personal lines.

Not convinced? The numbers speak for themselves: market share for the leading contributory loss history database is 99.6 percent. The importance of a contributory loss history database for personal auto insurance is clear, and its value to commercial carriers will be just as significant.

Accommodate all standard lines of business

The value of a contributory loss history database is greater if it helps carriers manage more of their overall portfolio. An appropriate database will accommodate all standard commercial lines of business, including commercial package, commercial auto, business owner policy (BOP), workers' compensation and umbrella insurance.

Identify and link business entities

A contributory loss history database must be able to identify the correct business entity to include in a loss history. Since business locations and names can change during a policy term, sophisticated identification and matching processes are a critical capability.

Meet a variety of business needs

A contributory loss history database must have the flexibility to accommodate a variety of searches, such as:

- Query by business name and/or business owner name.

- Query by location, for when multiple entity loss histories are required. For example, to provide a quote for a shopping mall, an underwriter should be able to obtain loss histories for all the units at that location with a single search.

- Query by policy number, for when loss history on a single policy is required. For example, at point of renewal, an underwriter should be able to obtain an updated loss history for a prior policy known to have an open claim.

Benefits of a contributory loss history database

For the commercial P&C insurance industry, a contributory loss history database can enable carriers to simplify the quoting process by automating loss runs (Figure 2).

| Submit application | Order and receive contributory loss history report | Proceed to underwriting and rating | Deliver quote or decline application due to reported losses |

Figure 2. Streamline the quoting process and improve profitability with a contributory loss history database.

Reduce underwriting expenses

A contributory loss history database can improve the efficiency of the underwriting process, saving time and money. Real-time access to accurate loss history information can help streamline the quoting process and shorten acquisition times, while consistent formatting and display of data can improve data quality. Further, carriers that automatically feed loss history into their rating systems can gain additional efficiencies and reduce errors associated with manual data entry.

Discover profitable growth opportunities

With an up-to-date, comprehensive view of an insured's loss history, underwriters can ensure adequate pricing with quotes that accurately reflect their risk exposure. At point of renewal, carriers can revisit pre-existing claims with open reserves and adjust their quotes accordingly.

Improve risk selection

With information from a standardized, centralized and dependable data source, underwriters can better understand their risk exposure prior to quoting. These insights enable carriers to focus on acquiring and retaining preferred risks, improving their quote-to-issue ratios and enhancing the overall health of their business.

Increase customer satisfaction

The real-time nature of a contributory loss history database benefits everyone involved, including carriers, agents and insureds. Automating loss runs enables agents to focus on creating a positive customer experience. Carriers that can offer agents shorter acquisition times and simpler processing can position themselves as the carrier of choice, driving more business.

Summary

Automating loss runs is long overdue in commercial insurance. When carriers must do more with less, operational efficiency can be the key to creating a competitive advantage.

In commercial lines, carriers can gain an edge by automating loss runs with a contributory loss history database. With real-time access to comprehensive, reliable loss history data, they can reduce underwriting costs, increase profitability and improve customer retention. Automating loss runs also makes carriers easier to work with, helping them gain more business as agents' carrier of choice. Finally, a streamlined quoting process enables underwriting talent to focus on value-added activities and pursue more advanced opportunities for the carrier.

In personal lines, carriers have been benefiting from contributory loss history databases for more than 25 years. It stands to reason that commercial carriers will also benefit from a similar industry standard. Carriers with the foresight to seize the opportunity now, rather than later, can gain a distinct advantage in the market.

For the commercial P&C insurance industry, a contributory loss history database can enable carriers to simplify the quoting process by automating loss runs.

For more information:

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About LexisNexis® Risk Solutions
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