Driving change and creating opportunity for the insurance industry.

Social, Mobile, Data & the Cloud

LexisNexis®

Risk Solutions
Insurance

Consumer technologies at work

There was a time when the computing technologies we used 'at work' were far stronger than those we enjoyed 'at home'. That's all changed.

With powerful new social channels and transformational smart technology, consumers everywhere are becoming familiar with the very pretty face of a huge technology shift. Gartner call it the 'Nexus of Forces' describing the incredibly powerful confluence of social, mobile, cloud and data that is driving a revolution in communications and computing.

These changes are happening at the same time as the insurance industry faces extraordinary new threats and opportunities. With the combination of a greater focus on the underwriting result (driven by macro economic challenges) and the increasing appetite for more granular exposure management (driven by climate change challenges), insurers are feeling the need for fresh ideas and powerful new tools to help take them into the future.

In this paper, we take a brief look at some of the ways that the insurance industry can take advantage of this technology-driven revolution to improve and redesign their processes in order to address some of the challenges they face today: to better manage their risk, grow their business, increase efficiencies, improve underwriting profitability, and enhance customer service.

The underwriter under pressure

As a trusted partner to a large number of key insurance providers, LexisNexis is in a unique position to take note of new trends and emerging best practices. Here are some of the trends we see coming up again and again:

Insurers are centralising standards in risk selection and exposure management

With the pressure to improve underwriting performance and profitability being felt everywhere in the industry, we're seeing a serious move toward a standardised, company-wide approach to risk selection and exposure management, across all property underwriting teams and groups.

With global challenges like climate change making a huge impact, insurers are recognising a need to get more sophisticated when it comes to understanding and pricing risk. The Thai flooding of 2011, for example, caught a huge number of reinsurers off guard, when several players in the global market found themselves far more exposed than they realised. Over the long term, the USA has accounted for 70–80% of the all insured natural catastrophe losses. The nearer term number is less than half of that, with events in Australasia accounting for the majority of losses in that period. Whether or not this is a sustained trend is almost beside the point; what is clear is that climate change is forcing the industry to concern itself with exposure management at a global scale. The need for more accurate local modelling and risk visibility is no longer in question.

Underwriters are moving toward centralised decision-making, promoting consistency and visibility across all operations. They're turning to the cloud and collaborative technologies to make these new management efficiencies possible. This trend is also driven by the centralisation of global reinsurance programs requiring that, once a global program is in place, all exposures be controlled centrally.

Insurers want better insight into local operations — without getting in the way

Even though underwriters are moving toward standardisation, they still recognise how essential local expertise is. Group underwriting directors are looking for ways to balance their need to have a full view of

their current accumulations and exposure with the needs of local entities to effectively and efficiently manage their businesses and deliver high quality customer service. Local businesses also need the power to assess their claims exposure in real-time, to model potential what-if exposure scenarios and to work more closely with their broker networks. The technology opportunities in the broker chain range from automatic processing of bordereau data for faster insight and efficient operation through to integrated underwriting processes involving shared toolsets amongst the insured, broker and insurer.

Data has gone global

Insurers are beginning to make all of their risk data accessible to all local underwriting teams. This is now possible thanks to sophisticated changes in scalable software technology and networking infrastructure.

The evolving quotation lifecycle

The drive for greater exposure control and visibility throughout the entire group means insurers should consider live quotes in tandem with live policies. Again, this is now a realistic goal, given the technology power now available.

A comprehensive exposure management strategy must connect the quotation process to a robust accumulations management regime. Every quote should be logged centrally, maintained as a potential exposure and included in exposure assessments at point-of-sale.

Quotes that are won must be automatically converted into bound policies through integration with Policy Administration systems.

Quotes that are lost (or that are dormant for a defined period of time) should be re-designated as failed, and the owner of the quote should be asked to record the likely reason for the quote not being taken up.

A system like this allows insurers to analyse why certain territories or brokers are winning more business than others. Not only that, this system of managing quotations provides insurers with a list of prospective clients to target again in 11 months time.

The changing nature of catastrophes

3 of the top 20 events have happened in the last 5 years. And the biggest events are no longer concentrated in the United States.
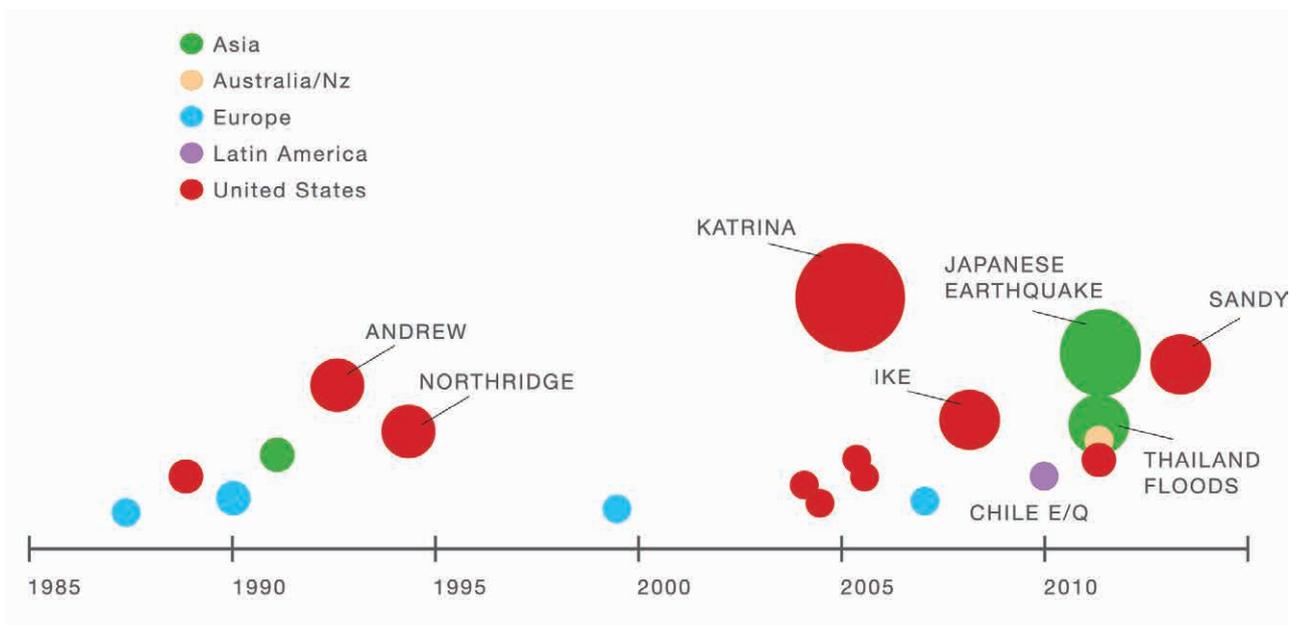
$77bn

2012 was the third most expensive year ever for the industry, with $77bn in damage caused by catastrophic events.

$126bn

The year before was the most expensive, with several '1 in 250 years' events causing $126bn in damages.

$100bn

The vicious hurricanes of 2005 caused claims of over $100bn, making it number 2.

Source: ??

Respond with results-driven technology

With insurers looking to implement sophisticated new systems to help them better manage their businesses, popular new technology is presenting the industry with extraordinary opportunities at exactly the right time.

Smarter working practices and huge savings — why we're all embracing the cloud

As insurers look to manage their local organisations on a standardised yet locally-sensitive basis, the cloud is offering extraordinary solutions on top of a very compelling cost analysis.

Industry analysts estimate that P&C insurers could lower their IT spend by up to 50% per employee by deploying cloud computing on a large scale. In Gartner's 2011 CIO Survey, 31% of responding insurers estimated that more than half of their transactions would be based on SaaS by 2015. Even more telling, according to Gartner's 2012 CIO survey among 85 insurers, cloud computing is among the top 5 priorities of CIOs.

While the savings are significant, it's the efficiencies and greater operating visibility that have forward-thinking insurers so interested in cloud platforms. With cloud-based underwriting and exposure management platforms, insurers can analyse risk and drive new profitability in efficient new ways. This allows insurers to roll out standardised, company-wide risk selection strategies.

Smarter insurers are also seeing that key cloud-based platforms (like underwriting and exposure management) can be implemented as part of an IT modernisation strategy. By putting cloud-deployment at the heart of any modernisation or systems upgrade project, businesses are creating huge new operating efficiencies on top of the already compelling savings that the cloud can offer.

Finally, one of the big advantages of adopting a cloud-based platform is the speed of deployment. Complex platform rollouts that may once have taken years can be achieved in a few months. Software product firms are 'on boarding' their customers in hours or days. Not only that, the technology's astounding global reach and scalability allows a 'big bang' approach. A global enterprise can now switch on a new software service overnight.

Getting a clearer picture with mobile technology

Insurers are placing a greater emphasis on risk visibility and that means accurate, reliable data is becoming more and more important. As the software we work with becomes better streamlined for use with tablets and mobile devices, there is a real opportunity to give insurance professionals the tools they need to get the truth behind every opportunity first-hand.

One of our goals at LexisNexis, is to see mobile GPS used to help insurers, surveyors and brokers assess the true position and nature of any given property.

By enabling the insured or broker to register locations first-hand via mobile GPS, insurers can get a clearer picture of that location's risk, as well as the properties and hazards that surround it. By reducing the industry's dependence on unreliable geocoding processes (especially in emerging markets), underwriters will be able to work with a truer picture of every property and help protect their bottom line.

Listen closer and react faster with the right social channels

The most visible and commercially widespread advance in new technologies, social media, can offer far more than what consumers typically see.

With social media analytics software increasing in sophistication, insurers and brokers are beginning to see a real opportunity emerge in customer support. Smart context and sentiment-based analytics mean that organisations can gauge the candid customer care experiences of their clients like never before.

These social media analytics tools, software that can immediately assess, analyse and filter an extraordinary number of discrete pieces of user-generated content, are already being used by news agencies to assess the scale and severity of natural and other disasters as they happen. The accurate reporting on the scale of the 2011 Japanese tsunami and Fukushima nuclear disaster by independent news agencies was made possible by using this technology, monitoring and filtering local user content. For insurers keen to improve response times and quickly assess exposure, social channel analytics will integrate with underwriting and exposure management platforms to deliver the most immediate and complete information possible.

For insurers centralising processes, the use of social media to create a collaborative culture internally can help to ensure that voices are still heard at a local level (and improve employee engagement). From an industry point of view, social media engagement targeted at insurance professionals can help insurers stay savvy to emerging trends, opportunities and risks. These 'knowledge networks' are already in place across numerous industries, including in the legal and software development communities, helping organisations acquire and implement emerging best practices.

No more settling for dubious data

New technology offers underwriters a number of new, high-quality channels from which to draw essential information. A huge amount of crowdsourced and government information is now published free of charge to augment (and in some cases challenge) the ever-increasing volume and sophistication of licensed data that firms are creating. This open data is technically available to the industry but often very difficult to find and access. For example, up-to-date cadastral details (and other data related to land transactions) are openly available in several countries, and new licenced flood and perils models are coming to market all the time.

How LexisNexis® Map View brings it all together

Our team has responded to these opportunities (as well as new developments in smart technology) by re-inventing our global, cloud-based underwriting and exposure management platform, LexisNexis® Map View. Our platform boasts the scalability and global reach to support a worldwide underwriting organisation, with features to perform a variety of tasks:

A centralised underwriting knowledge base

LexisNexis® Map View provides a single, aggregate view of all risk data including policies, quotations, claims and global third-party perils risk models (such as floods, earthquakes, storms as well as historical perils data and events). The cloud- based platform allows users to layer multiple pieces of data and display the results in Google Maps (or other global mapping applications).

By centralising information, we offer group and local underwriting teams quick and easy access to their accumulations, perils and other risk data-allowing them to better assess, review and price risk.

The platform also allows insurers of all specialties to quickly understand the correlation between perils models, accumulations, claims and quotations, so they can make faster, better quality underwriting decisions at the point-of-sale.

Understand your exposure at micro and macro levels

LexisNexis® Map View gives users the ability to view their exposure to specific known peril zones that have shown a susceptibility to nat-cat events in the past. Similarly, the platform provides a view of top accumulations, allowing insurers to monitor their exposure and to take corrective action before limits are breached. Data is presented as a percentage of total exposure or in absolute terms, and comes with a spreadsheet export feature.

Blocks

The blocks module of LexisNexis® Map View supports rules-based, sophisticated fire accumulation. It is a database of the footprints of the world's buildings, grouped together to identify structures that are within 10 metres of each other (or any other firebreak distance, customised to fit our customers' underwriting guidelines). With blocks, insurers and underwriters can get a clearer picture of risk and risk location.

LexisNexis® Map View also allows users to model various 'what-if' exposure scenarios, offering better management of Black Swan events. Custom exposure reports can be generated using shape drawing tools, or by importing the footprint of a recent event through our integrated Google Maps Engine functions. In addition, LexisNexis® Map View accesses a library of historical hurricanes, earthquakes, floods etc, for more general assessments.

Lastly, by empowering local divisions with real-time access to their policy, claims and data, they can quickly identify the customers who may be affected by an event as it unfolds, and respond with proactive customer service. Insurers can quickly assess their own exposure and calculate their potential losses under various scenarios.

Easily implement changes to business rules and risk thresholds

LexisNexis® Map View provides real-time information and management systems to key decision makers, whenever they need it. Our cloud-based underwriting and exposure management platform allows local underwriting divisions to quickly adjust business rules and risk thresholds in response to specific events, allowing them to manage their businesses quickly and more effectively.

Integrated quotation management that helps you get more from your data

LexisNexis® Map View offers a centralised store of live quotes. During the risk assessment process, a quote is run against LexisNexis® Map View for perils and accumulation analysis. Crucially, it is then stored in LexisNexis® Map View as a live quote that is flagged as a potential exposure and included in any following exposure analyses. If the business is won, then the quote will be overwritten by the bound policy information that comes from the policy admin system. When quotes are lost, many insurers are still simply discarding the quotation data and moving on but these lost quotes contain valuable information that companies should be using to gain a competitive edge.

Given the annual cycle, a database of lost quotes can become a powerful lead-generation tool, with expiring contracts held by competitors visible to your sales team months ahead of time. Lost quotes also contain vital information about the competition, or about the sales procedures of brokers and partner companies.

LexisNexis® Map View helps insurers take control of all this vital information, setting up automated procedures to query quote-handlers when a quote is lost and send leads to the sales team as contracts begin to expire.

The holistic option for forward-thinking insurers

With LexisNexis® Map View, our team has developed a platform that tackles all the needs of the modern insurance underwriter, bringing flexibility, agility, mobility and smarter working practices to insurers of all sizes and specialties. Our solution provides every member of the team with real working efficiencies by accessing all relevant insurance and risk data through a single system, accessible through many types of device. The quote management feature in LexisNexis® Map View also empowers sales professionals, systematically recalling fresh opportunities months ahead of the competition.

Over eight thousand home and commercial property underwriters rely on LexisNexis® Map View to assess their risk and manage their exposure. Delivered as Software-as-a- Service, LexisNexis® Map View offers several modules including underwriting, exposure management and broker management. The customer base of LexisNexis® Map View writes more than 60% of the UK and Ireland markets and extends to Canada, Asia and Europe. Some recent industry recognition and awards include:

- **AXA Global** was selected as a winner of the 2013 Celent Model Insurer Award for best practices in global risk management, leveraging LexisNexis® Map View.

- **QBE Europe** was recognised as a 2012 Celent Model Insurer for deploying LexisNexis® Map View to manage their portfolio exposures.

- In 2012, Celent published a case study on **AXA UK**, profiling how they responded to the UK London Riots, leveraging LexisNexis® Map View software.

- **LexisNexis® Map View** was included in Gartner's report entitled 'Hype Cycle for P&C Insurance, 2012.'

- **LexisNexis® Map View** was selected as winner of the 2012 Red Herring Top 100 Europe Award.

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About LexisNexis® Risk Solutions
LexisNexis Risk Solutions (lexisnexis.com/risk) is a leader in providing essential information that helps customers across all industries and government predict, assess and manage risk. Combining cutting-edge technology, unique data and advanced scoring analytics, we provide products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of Reed Elsevier, a leading publisher and information provider that serves customers in more than 100 countries with more than 30,000 employees worldwide.

Our insurance solutions assist insurers with automating and improving the performance of critical workflow processes to reduce expenses, improve service and position customers for growth.