

Changing the Game: Innovation Trends in Commercial Insurance

LexisNexis® Risk Solutions Commercial Market Research
A Commercial Auto Insurance Study





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Introduction

Commercial carriers are on the move. While historically, profitability has been a challenge in commercial auto insurance, the tides may be turning for this dynamic line.

In the midst of a digital transformation, carriers are seizing new advancements and innovations, and the bets are positioned to pay off.

In 2023, LexisNexis® Risk Solutions conducted a market research study to understand where commercial auto carriers stood within the digital transformation, namely their priorities, timing and perceptions.

Carrier profiles included senior executives who had oversight of underwriting and implementation of process improvements within their lines of business.

This white paper examines:

- The top market challenges concerning commercial auto carriers
- How carriers think about digitization and automation—and where they're focusing their efforts
- Carriers' investments in straight-through processing and how they're enabling these capabilities



Executive summary

Our research reveals a market in the thick of digitization. Key findings for commercial auto insurers include:

Percentage of carriers who report data accuracy is a top concern

96%

The average time for commercial auto carriers to generate a quote

Three days

The ideal amount of straight-through processing for organizations

60-90%*

When the majority of carriers will implement the bulk of advancements not currently underway:

Within two years

The key to success? That will lie in how effectively commercial auto insurers can solve for how to attain and ingest accurate and fully digital underwriting data.

While the market is moving swiftly, there's opportunity for carriers in the beginning stages of the digital journey to take the lead, especially when it comes to solving the number one challenge around data. Powerful solutions are available to bolster quality, completeness and overall accuracy, including:



Data prefill solutions that deliver robust information on businesses with **high hit rates and confidence scores**



Motor vehicle records to inform risk assessment for **more accurate pricing**



Driver and business models that unlock **advanced scoring and segmentation capabilities**



Contributory assets that deliver **difficult-to-procure data on drivers and claims**

If you'd like to discuss how you can improve data quality, which could help you increase profitability, more accurately assess risk and increase market share, contact your LexisNexis Risk Solutions Account Manager or visit risk.lexisnexis.com/insurance/commercial-insurance-solutions to learn how we can help you in your digital transformation journey.

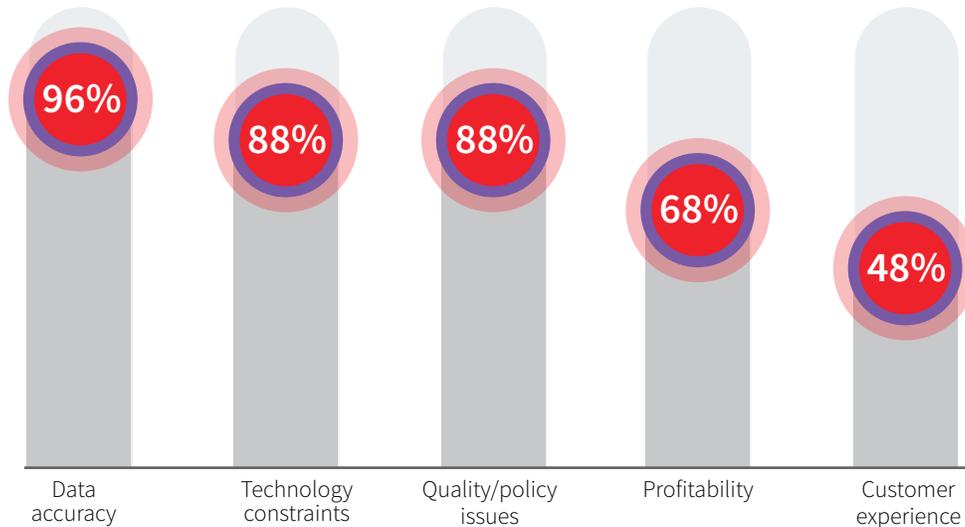
*64% of commercial auto carriers leveraging a mix of manual and automated processes fall into this category.

Challenges in commercial auto

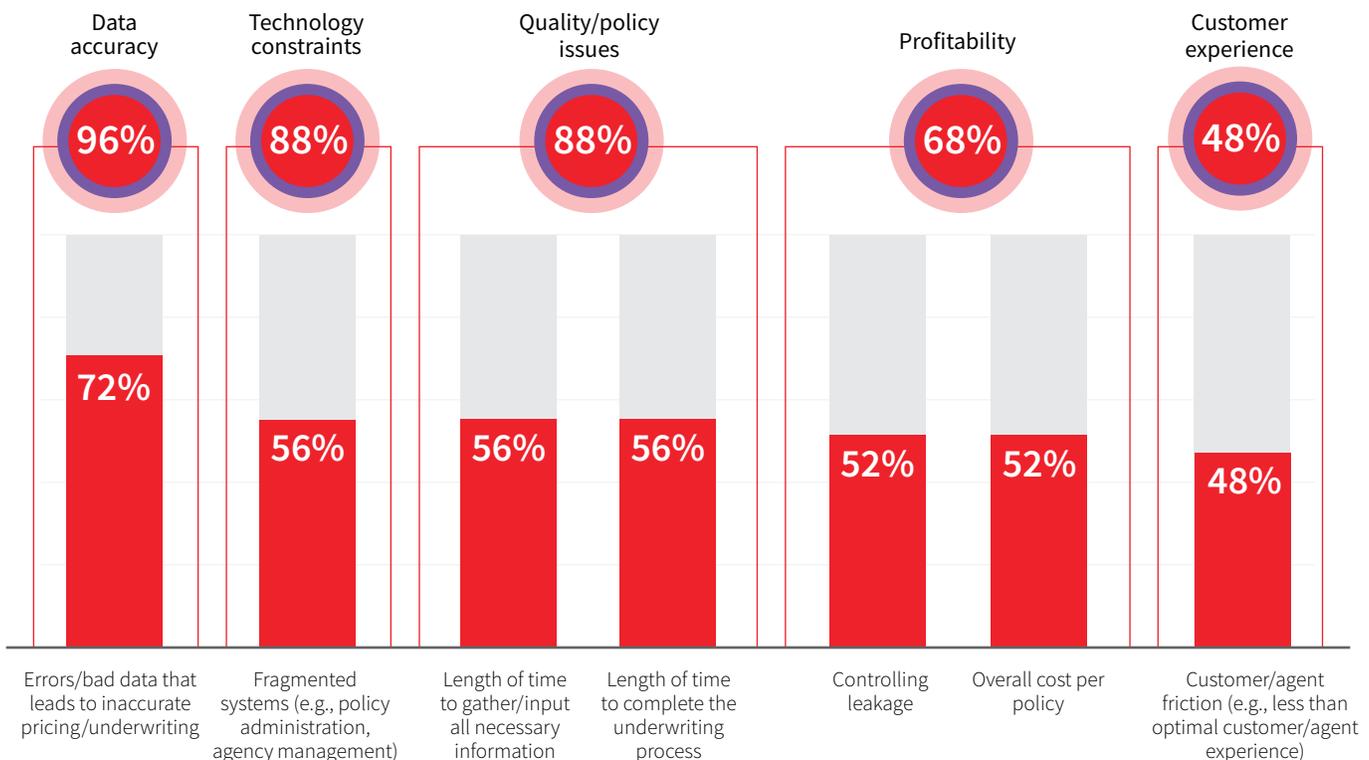
In our study, we defined digitization as taking manually provided information and leveraging that to create and automate actionable insights.

Auto carriers indicated the primary challenge they want to solve is improving data accuracy. Technology constraints, length of time to generate a quote, profitability and the customer experience are concerns, as well, but improving data accuracy tops their list.

Percentage of commercial auto carriers indicating challenges in applications and underwriting in the below categories



When we further examine the categories above, we see the top challenge carriers identify within each area.





When are auto underwriters looking to make digital enhancements to address these challenges? They report that big changes will occur over the next two years, with much of the progress either fully or partially underway.

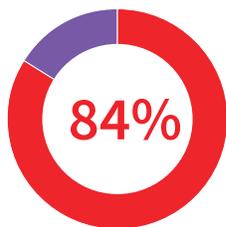
Figure 2. Timing for the completion of digital transformation activities



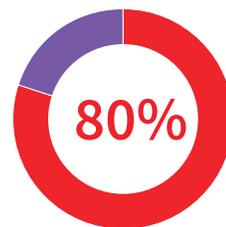
Given the heightened focus on data accuracy, it's not surprising that initiatives that support attaining it are in motion.

The motivators fueling the digital journey

Yet when asked about the amount of digitization commercial auto underwriters have undertaken, 92% say they want to do more. They view digitization as a lever to help eliminate friction and win more agent business.



Agree agents are more likely to get quotes from carriers who offer more straight-through processing.



Believe digitization is important because it will help create smoother customer and agent experiences.

Carriers know their landscape is competitive. When we inquired about the primary driver behind digitization, data quality wins out again. Sixty-eight percent of carriers cite the need for better quality data for risk assessment and pricing, beating out competitive, experiential or profitability motivators.

Drivers behind why carriers are digitizing



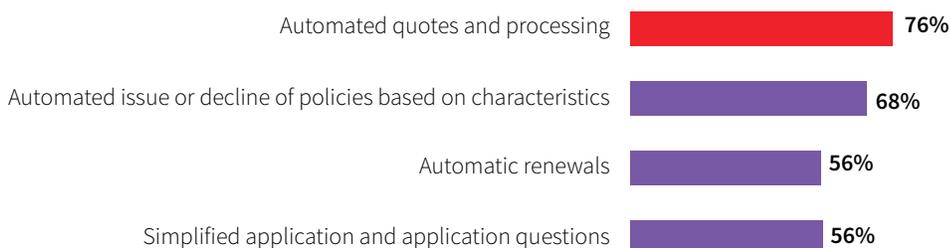
Ensuring strong data to inform processes has knock-on effects and will underpin how successful automation efforts are. It's critical that commercial auto underwriters get this right.

Automation is the name of the game

In our study, we defined automation in underwriting as a process that allows straight-through processing, involving little to no underwriter review during the process.

Carriers have undertaken a variety of efforts to reduce quoting times and friction in the application process to unlock more straight-through processing capabilities.

Steps carriers have taken to integrate more automation in their operations



Plans for straight-through processing

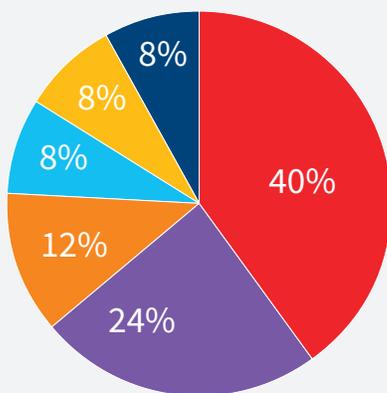
In our research, we defined straight-through processing as an initiative in which the application process would streamline the end user experience and ask minimal information.

Almost 90% of carriers report that achieving straight-through processing was important for their organization.

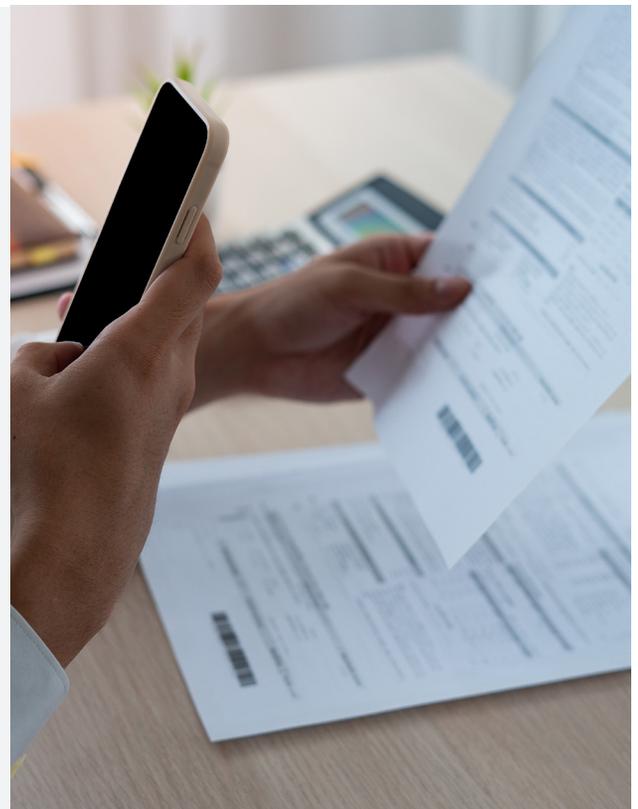
Yet today, carriers implement straight-through processing on 40% or less of their applications, but the majority cite that the ideal state sits between 61 – 90%. While carriers know straight-through processing offers value, it's clear that because 100% is not the goal, they recognize the need to balance it with human expertise and intervention.

To achieve target states, carriers will need to address how they intake application data, as 84% report they either key in results, use a PDF reader or scan applications from mobile phones that deliver structured or unstructured data.

How carriers are intaking application data

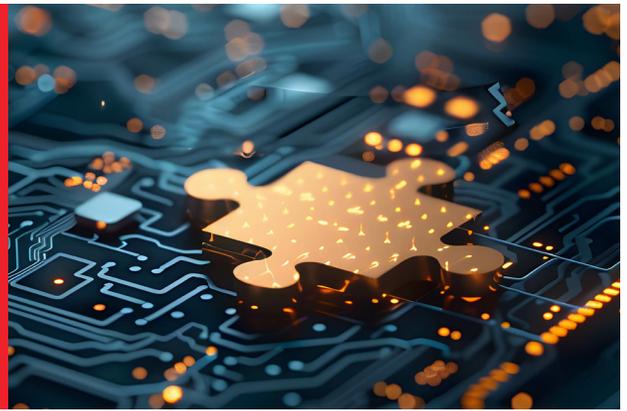


- Unstructured data from a mobile scanning device
- Using a PDF reader
- Structured data from a mobile scanning device
- Solution that provides basic prefill info
- Solution that provides comprehensive prefill info
- Keying in results



Given intake mechanisms, it's no wonder that carriers report an average of three days to provide a quote. While commercial auto carriers are making strides toward straight-through processing goals, prefill solutions offer a viable option.

Only 8% of commercial auto carriers report leveraging comprehensive data prefill capabilities.



How prefilled data plays a key role

Only 8% of commercial auto carriers report leveraging comprehensive data prefill capabilities, with the other half of prefill users relying on returns that are limited to basic business information. The good news is that most auto carriers plan to bolster their current solution with more robust prefill capabilities within the next two years. This suggests a small window where more comprehensive, prefilled data can offer early adopter benefits before they become table stakes.

Data accuracy continues to underpin critical digitization efforts. If prefill solutions on which carriers are basing risk decisioning is faulty, or incomplete, carriers will be left grappling with rapidly generated, inaccurate quotes. They will still not have solved for the ‘profitability’ piece of the puzzle and continue to miss the mark on accurately rating risks.

Conclusion

Commercial auto underwriters are hungry for digitization and moving swiftly to attain it.

Ninety-two percent want to incorporate more digitization in their processes, which is reflected in the shift away from paper and toward ingesting and leveraging digital underwriting data.

However, 96% of commercial auto carriers cite data accuracy as a top challenge, and 72% of commercial carriers citing this challenge want to correct erroneous data that leads to inaccurate pricing and underwriting.

Auto carriers need reliable data to make this happen. If carriers are looking to increase levels of straight-through processing, tap into automated quotes and gain a competitive edge, solving for data accuracy must take precedence.

Comprehensive prefill capabilities stand uniquely positioned to solve multiple pain points. By unlocking automation from the point of quote, these solutions can put underwriting processes on an efficient and automated path. Additionally, they can return robust, more complete information on businesses, so underwriters (or their systems) can utilize quality, precise data when they need it.

Carriers aren’t waiting to make their moves, and a lot will happen over the next two years. For those not fully immersed in the digital revolution, the time to join in is now. Buckle up, because it will be an exciting ride to an even more exciting destination.



About the author



David Zona, Senior Vice President and General Manager, Commercial and Life Markets

David Zona is SVP and General Manager, Commercial and Life Markets at LexisNexis Risk Solutions. In this role, David leads the commercial and life insurance vertical markets, providing data and analytics solutions to their respective clients.

David has been with LexisNexis Risk Solutions since 2022, after serving as Vice President of Market Development in 2004. During his time away from LexisNexis Risk Solutions, he worked as VP and Chief Underwriting Officer for Prudential Financial and Allianz. David holds a bachelor's degree in business administration from the University of Florida – Warrington College of Business, a master's in business administration from Duke University – the Fuqua School of Business and a master's in insurance from Georgia State University – J. Mack Robinson College of Business.

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LexisNexis® Risk Solutions harnesses the power of data, sophisticated analytics platforms and technology solutions to provide insights that help businesses across multiple industries and governmental entities reduce risk and improve decisions to benefit people around the globe. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.