Specialty Lines Underwriting: Why Aim for Profitability 50% of the Time?

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Let's compare an aerial refueling pilot and a specialty lines underwriter. Both are hired and trained for highly skilled work. The difference, though, is that refueling pilots actually get to do the work they are trained for 100% of the time, while underwriters get to do what they are trained for, at best, 50% of the time.

> Underwriters are paid to balance profitability with risk. Yet, within a 24–48 hour turnaround time, they are required to collect data from various sources, enter and re-enter the data in various systems, and then, with the remaining minutes or hours, assess and price the risk.

And while this is all true for underwriters generally, it is particularly so for underwriters working with a wide range of complex or specialty risks.

This whitepaper explores how to profitably grow specialty business by rebalancing the use of people, process, and technology. It highlights a new approach that makes it possible to augment underwriting talent with the data and process necessary to make underwriting decisions, including contributions from claims, actuaries, brokers, and expert parties. Read on to learn more.

Reimagining specialty lines underwriting.

Many organizations are growing their footprint in the generally high-return market of specialty insurance. The opportunity for innovative insurance products and programs continues to be fueled by diversifying risks associated with terrorism, technology, aviation, and almost every other newsworthy area. But with opportunity comes competition and the race to gain market share, and an imbalance in the triangulation of high-risk, high-return, and speed to market can compromise profitability.

Specialty insurers and specialty divisions within general insurers aspire to achieve consistency in stellar underwriting performance, yet they find themselves in positions to make trade-offs rather than to find balance. Speed is compromised by disconnected contributors, disparate data sources, and missing capabilities like simple data validation. These dead zones, in turn, get filled with manual data acquisition methods like email, redundant data entry, and spreadsheet calculations.

These dead zone fillers are generally not auditable, provide no end-to-end transparency, inhibit rather than encourage speed through collaboration, and lack a scalable platform to support new products or fast growing business segments. The costs associated with administration of these manual dead zone fillers continuously eat into growing IT budgets for underwriting. Most importantly, the time required to navigate these dead zones distracts underwriting talent from what matters most—consistency in stellar performance. This is a lost opportunity.

Specialty business may outpace standard lines.

Specialty insurance is a fluid market historically reserved for commercial organizations and high net worth individuals. As the list of non-standard risks grows, so do the pools of buyers and opportunities for new products. To many, the idea of greater volumes of higher profit business may be outweighed by the fear that more diversification in products means an increase in underwriting expenses and distribution costs.

Take the business of high net worth insurance programs as an example. The cost to underwrite might be considered extraordinary in these cases. The underwriter has to communicate across different businesses who are experts in particular products. They receive bits of information in different formats about expensive homes, autos, yachts, and aviation assets. They then enter the asset information into various systems that ultimately provide valuation numbers that are then used by a rating system—spreadsheet, engine, or otherwise.

After days of cross-departmental coordination, cross-system data input, and a few email exchanges with the broker, an underwriter has a couple hours left to evaluate the risk. Why would the insurer want to go down market and pick up the median buyer looking for specialty coverage for wind damage or an individual piece of fine art? As the median buyer becomes more educated about their standard coverages or lack thereof, the unwanted exposure becomes an opportunity for the market.

While the specific challenges of coordinating across different businesses and the need to obtain more specific information from a client is different in high net worth versus microinsurance, D&O, E&O, etc., the opportunity for profitable growth in specialty is on a steep incline. If we follow the same approach as other lines of business, the cost will likely outweigh the return. Buying fit-for-purpose underwriting modules that are used exclusively by the underwriter frustrates the actual way profitable specialty programs come to fruition, which is through collaboration by the knowledgeable. This requires a shift in thinking from a “myopic view for one” to a “collaborative platform for many.”

Collaborative work platform and enabling customized programs.

Repeatable program customization, while an anomaly in specialty lines, is the key for profitable growth. The specialty market is used to program customization by the very nature of the business. Yet, the approach or method of customization is not scalable simply because the technology provided does not support the reality of this collaborative and personalized business.

The insurance industry crossed a critical threshold a while back, recognizing that a policy administration system cannot double as an underwriting system. Policy administration systems were not designed to be externally facing, nor to run omnichannel, nor to deliver agility. They were designed for the specific purpose of storing the four corners of the data associated with a contract—to serve as a books and records system. They were not designed to capture the information an underwriter needs to assess risk in the first instance.

The industry also realized that scanning and moving documents around in a folder format does not meet underwriter’s needs, either. Although moving PDFs is faster than moving physical paper and one PDF can be made available to many people rather than just to one, the data within a PDF is not electronic and therefore not usable. The data needs to be manually entered into one or many systems for digital use.

In essence, the industry is becoming more sophisticated in its articulation of requirements for enabling repeatable customization. These requirements extend beyond a calculation gadget and include the following:

- **A collaborative platform** that allows all contributors to work on the same piece of business whether employed by the insurer or not—avoiding the time and cost associated with filling in dead zones between people and systems.
- **Supporting work anywhere**, allowing all contributors to work on the same project from their mobile device, through portals, or on their laptop/desktop—avoiding time lags between work and information availability.

- **Continuous availability of contextual information** relevant to the client, the business, and the contributor. Thereby avoiding the need to dig through data in different systems to create context.
- **Case management and reports** in order to increase transparency, including answers to how long, how many, and how much as well as priorities, assignments, activities, due dates, and key SLAs.
- **Workflow automation** that accommodates all work types, whether structured, concurrent, or ad hoc—enabling structured freedom to get work done in the most effective and efficient manner (including straight-through processing when relevant).
- **Robust integrations** in order to maximize digital data through integrations for data acquisition, use in gadgets, etc.
- **One platform** through which many gadgets, tools, and systems are exposed.

One platform connecting your specialty business.

In its simplest form, the business of specialty insurance is a combination of data, decisions based on that data, and business processes executed as a result of those decisions. It is experts in products, actuarial science, claims, and clients working collectively to put a program or proposal together or work on a claim. The reality is usually more complex, more challenging to master.

Disconnected systems, data, people, decisions, and actions hinder optimal business outcomes and increase risk exposure.

But there is a solution: a common platform that accommodates customized programs and specialty challenges. Data and process at the fingertips of each expert contributor reduces the work and time lag associated with connecting dead zones. Automate activities when practical and augment with knowledge for the rest.

Adding even more value is the capability to work anywhere with screens that reflect the same content, displayed on your device of choice (i.e., a desktop, a tablet, or a smartphone). Such a platform accelerates the pace of work, adds actionable intelligence to decision-making, and provides unprecedented levels of transparency.

The Appian Low-Code Platform meets all of these requirements and more. This single integrated platform connects people, data, and technology and is built for omnichannel use. It provides a customizable user interface to accommodate clients, brokers, actuaries, underwriters, and claims experts, helping them do their jobs as efficiently and profitably as possible.

Learn more about how we can help your specialty insurance business thrive at **appian.com/insurance**.

Appian is the unified platform for change. We accelerate customers' businesses by discovering, designing, and automating their most important processes. The Appian Low-Code Platform combines the key capabilities needed to get work done faster, Process Mining + Workflow + Automation, in a unified low-code platform. Appian is open, enterprise-grade and trusted by industry leaders. For more information, visit **www.appian.com**.