

Leveraging data, analytics and automation (including AI / NLP) to transform underwriting operations in the Lloyd's and London market

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Introduction

On 1st March 2022, The Insurance Network (TIN) and EXL, the leading Data, Analytics and Digital Transformation business hosted a breakfast briefing exploring automatic extraction and enrichment of unstructured pre-bind data to streamline processes and ultimately improve underwriting decisions in the London market. The discussions were moderated by David McKenzie, IT Business Relationship Director at CNA Hardy, and AI and transformation expert Sumeet Goswami, Head of Digital Transformation & Insurance Consulting at EXL. This summary explores the key themes from the discussions that followed.

Vision – why embark on the automation journey?

To start the benchmarking discussions we asked participants to share some background and drivers for their automation initiatives, which included improving underwriting capacity and moving away from transaction-based risk selection towards the ultimate goal of portfolio-driven risk assessment through data-driven decision making.





First steps

The first step is to identify the first process to automate, what Sumeet Goswami described as the “low hanging fruit” – an application of automation that would have immediate and apparent business value, and act as a test case and ‘pilot’ to highlight the speed to value and feasibility of automation. Working with EXL, one insurer conducted an end-to-end process review - a diagnostic methodology looking at the whole underwriting process - to identify where efficiency and effectiveness benefits might be gained through automation, analytics and process improvement and eventually AI. **4**

Renewals were identified as the initial pilot for one insurer, because they were necessary and business critical but also time (and resource) consuming: it was a data intensive, repetitive process and one that currently caused delay and backlogs – which meant any positive impact would be immediately tangible, readily communicated and (one hopes) widely appreciated ‘by the business’.

Sumeet:

The original automation (of renewals) demonstrated that automation could work in the client’s environment and their systems were compatible, and that we could reduce processing time from days to minutes...clearly highlighting the benefits of automation.

Pre-bind submissions are another area participants identified where automation can have immediate, and immediately tangible business benefits. Traditionally in the Lloyd's and London markets, underwriters send pre-bind submissions to a back-office service centre that manually inputs the data before sending it back to the underwriter to start the quote process. As anyone familiar with the London market will testify, there are issues with this manual process.

By deploying Artificial Intelligence (AI) to automate pre-bind submissions by identifying and populating the fields of data required to actively quote, it is possible to define a template, and thereby automate the extraction / population of data for each piece of business. This can lead to reductions in process times (one participant gave an example where the process time was reduced from 5 days to 11 minutes!), a step change in data accuracy and quality, and improvements in the user experience through the elimination of repetitive tasks.

AI can not only help with unstructured data ingestion, but also enable the creation of a larger data asset which has the potential to generate insights previously not available to the underwriting and claims teams and provide the 'foundations' for extending the automation to other initiatives, including deploying data and analytics and Artificial Intelligence for underwriting dashboards and predictive modelling and using analytics to triage and segment claims to achieve faster claim settlement. By leveraging EXL's Xtrakto.AI™ solution to make data extraction more efficient, it is possible to add data fields to the scope of the automation that will allow more of these 'actionable insights' to be generated.





Challenges

The group discussed a number of challenges they have encountered in the context of their own automation ambitions.

People and culture

The biggest challenge identified during the discussions was people and culture, and what one participant described as “inherent resistance to change” – not just the technology and systems, but also the adoption of new processes encompassing automation.

One participant explained that after initially attempting to engage and educate teams using lean six sigma to embed the new processes necessary to integrate automation into their operations, they eventually simply used the automation technology to drive through and mandate the changes:

We started off saying we would transform the processes and then automate them. However, in reality, we've pretty much transformed the process as we automated and used the automation to drive the standardisation.



One of the biggest cultural challenges the group discussed was overcoming the perception that data entry is a low level, non-business critical activity and fostering the mindset that accurate and consistent data entry is of real business value - and trying to relay that to teams across the business. Similarly, many participants agreed that the perception that “automation will take our jobs” required addressing. People needed to be reassured that the automation will in fact make their jobs more rewarding, and lead to opportunities to learn new skills and develop their careers. By taking the repetitive manual tasks away, freeing up time to focus on more value-add activity, employees could take on new roles and responsibilities. One participating insurer is planning on creating a centre of excellence that captures the best practice learnt from the initial automation initiatives, but also provides the training and mentoring for new career paths into the digital space. This means they can offer new opportunities to people who feared their job roles would be ‘taken by the machines’ – and helps in facilitating their move into new roles. As well as enhancing skills and capabilities the CoE leads to more buy in, and for people wanting to be more actively involved in the change - once they could see it had positive outcomes for their peers.



Securing buy in

Another challenge discussed around the table was (perhaps unsurprisingly) getting buy in for investment. One participant described “an efficiency/cost cutting mindset in senior management” when they discussed automation that proved problematic when trying to sign off spend...they wanted to see the financial ROI in every stage of development – whereas a lot of the benefit is in the opportunities to add more value with existing resources.

One participant spoke for a number around the table:

If you haven't reduced headcount, you can't show a literal pound value saving because they're still being employed against that... (so) what we talk about more is that we have created capacity in terms of pounds. Then it's up to the business to utilise that capacity that's been gained.

Looking to the future

Insurers increasingly understand that as part of their digital transformation, data can be leveraged in all areas of the business, and that ultimately AI and Analytics can be integrated into an enterprise work bench that cuts across underwriting and claims rather than having those functions operating in silos.

David Mckenzie put this in the context of the market modernisation agenda:

The transformation of the Lloyd's and London markets, driven by the Future at Lloyd's and Blue Print 2 initiatives, mean that this is a very intriguing, and sometimes challenging time to be involved with digital transformation, but I am very excited to be part of the journey and personally feel that AI and automation have a huge role to play across the value chain, and across end-to-end processes in the market. EXL's ongoing success in the Lloyd's and London market, their deep insurance sector knowledge (especially around the implications of FAL and Blueprint 2), and their suite of industry leading digital and data / analytics solutions including Xtrakto.AI™ make them a great partner for delivering long term value.

Sumeet Goswami added:

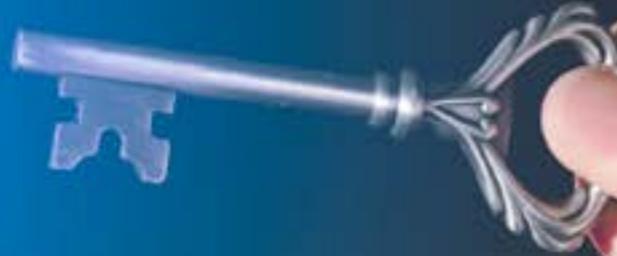
The desire for digital acceleration has never been stronger in the market, with many players making a clear pivot towards an operating model infused with AI and Analytics. We are also seeing more clients in the Lloyd's and London market looking beyond just simple efficiency into how they can leverage the rich data they have to create an organisational asset. Companies that take the lead in this area will be much better positioned, not only for the Future at Lloyd's, but also to become leaders in the market because of the way they leverage their data and deploy AI.



However, before these benefits of AI and automation can be realised there are issues around data quality and integrity that need to be addressed. Once what is described as “the foundational data” is in place, the AI can not only help with tasks like unstructured data ingestion but also lead to a creation of a larger data asset which can be leveraged across the business.

Mohit Manchanda, Head of Insurance, UK & Europe at EXL, articulated this by describing the adoption of AI and automation as a ‘journey’:

These are the building blocks towards the end goal of an underwriting workbench, which is integrated with all other departments. Data ingestion leveraging EXL’s Xtrakto.AI™, is the beginning of the process, but for all of our clients in the Lloyd’s and London market it’s an essential part of the journey. With our deep insurance knowledge and the evolving suite of digital, data and analytics solutions that we are developing we are working with our clients to unlock the long-term value these technologies have to offer.



Conclusion

It's clear from the discussion that we, as an industry, are at the early stages of leveraging AI and automation in underwriting. Key to success is getting the data strategy right and laying the foundations that will allow you to unlock the opportunities that AI and intelligent automation represent.

As David articulately concluded:

For the first time, I think we're starting to get to that point where digitisation of data and automation is going to start to actually make a difference, and not just in your financial results: it is moving from being just an efficiency play to being a competitive play.



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The background features a dark blue and teal color scheme with a grid pattern. A bar chart with five bars is visible, with values 90, 74, 81, 87, and 65. A line graph with a jagged, fluctuating line is overlaid on the chart. A circular logo with orange and green segments is also present.

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