May 2022

Underwriting transformation survey

Invest in change: drivers, opportunities and risk in the London Market

Contents

Introduction

Market participants have talked about change for many years: finally investments are being made as insurers decide how and where to best position themselves for long-term profitable growth.

London Market insurers have historically competed on expertise and not technology. The route to success was seen to be hiring the best underwriters, in the right numbers. Systems and tools were a secondary consideration. Other issues hampered change: it was perceived to be difficult to make the business case for investment; there was a degree of complacency around long-term profitability; and class-specific tactical solutions were deemed satisfactory. Coupled with much of the market's infrastructure being provided centrally, insurers have struggled.

We now see the landscape changing: the hard market is one catalyst, alongside general perceptions that others are making investments, and that modern, modular tools are quicker, easier and less risky to deploy. The next generation of underwriters are also more open to new tools and new ways of working. For the first time in decades we are seeing significant investments in the technology used in the underwriting journey, from prospecting to post-bind activities.

In response, we asked senior management of London Market insurers their opinions on the drivers, opportunities and risks of these technology investments.

Our survey revealed some unique insights into delivering successful transformation and getting the best return on investment.

Figure 1: **Respondents to our survey**

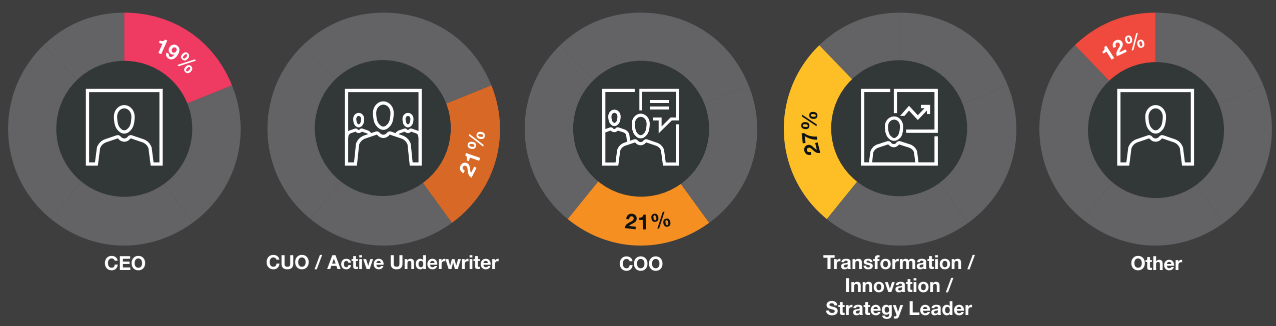
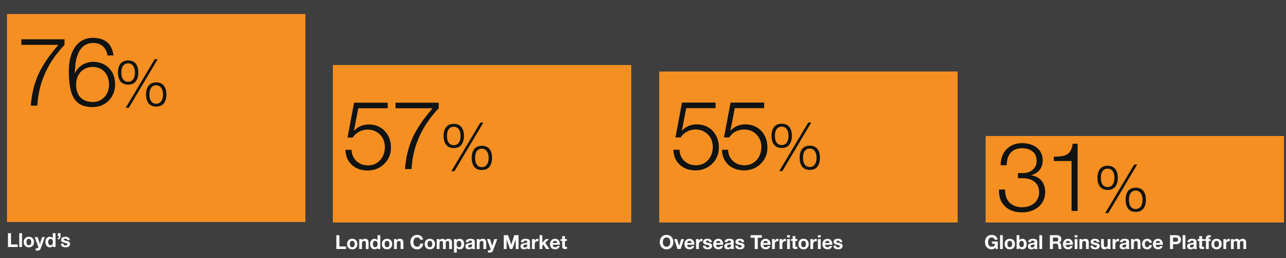


Figure 2: **Markets in which respondents operate**



Transformation drivers: insurers' ambitions for change

London Market insurers are trying to solve a wide range of problems simultaneously: better equip underwriters with the tools and insight they need; lower costs and drive productivity; improve controls and better serve clients and brokers.

London Market insurers have an expense problem, collectively and individually. Unsurprisingly, the survey finds addressing this a top driver.

Building a business case around expense reduction often seems easy, but long-term success requires careful management and tracking of benefit delivery and implementation milestones.

Being clear on programme objectives, and how they link to individual investments, is vital. All too often, benefit delivery is decoupled from technology investment. Technology change should not become a goal in itself.

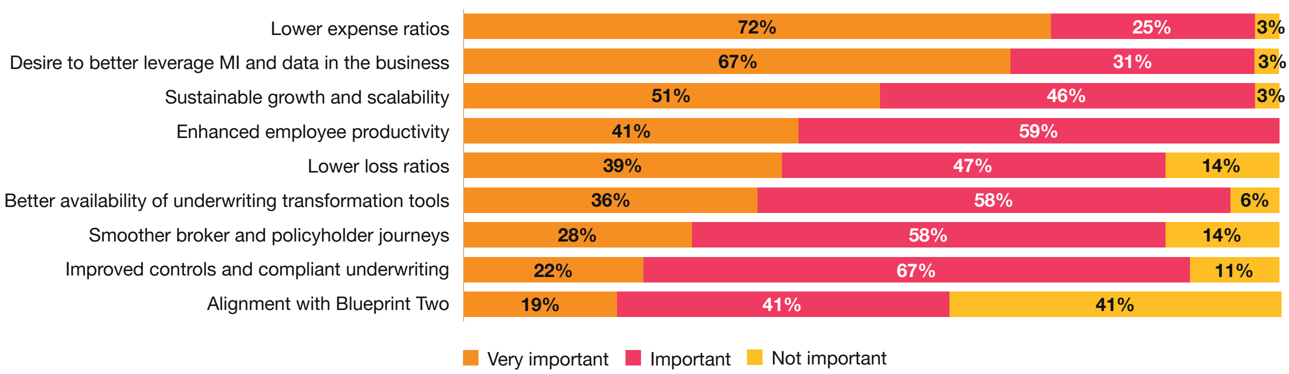
Technology investments must also be accompanied by tangible change to working practices and target operating models. It is easy to make assumptions about the benefits new tools can bring, but without the right processes and adoption, the benefits of the change often fail to materialise.

Underwriters spend far too little time underwriting. Addressing this not only drives productivity, but also helps firms attract and retain talent. Those with modern tooling and efficient processes have more engaged underwriters and better retention.

The survey identified two priorities, and related, areas for investment: underwriting workbenches, and portfolio management tools.

In our view, underwriting workbenches are workflow, productivity enhancement, and decision support tools, giving underwriters easy access, in one central location, to everything they need to fulfill their role. New low-code platforms offer cost-effective and fast deployment, allowing underwriters to see benefits quickly. Increasingly they are surfacing portfolio management data alongside case underwriting information.

Figure 3: **What are the most important drivers for your technology transformation?**



> London’s continued success as a global insurance hub depends on successful digital transformation.
>
> **Andy Moore**
> PwC UK, Partner

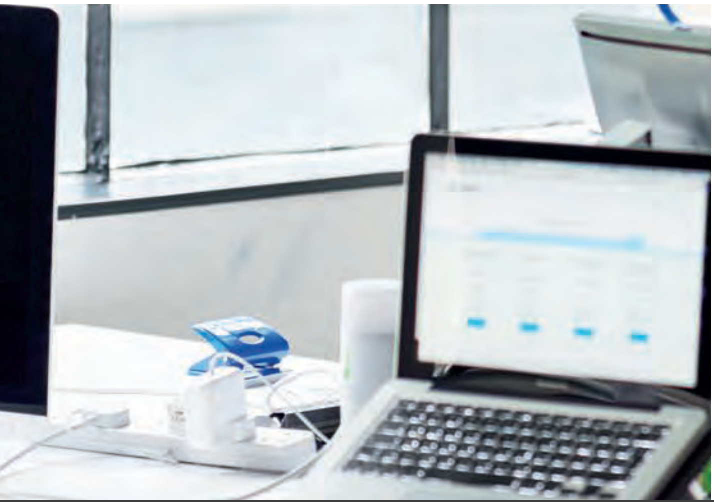
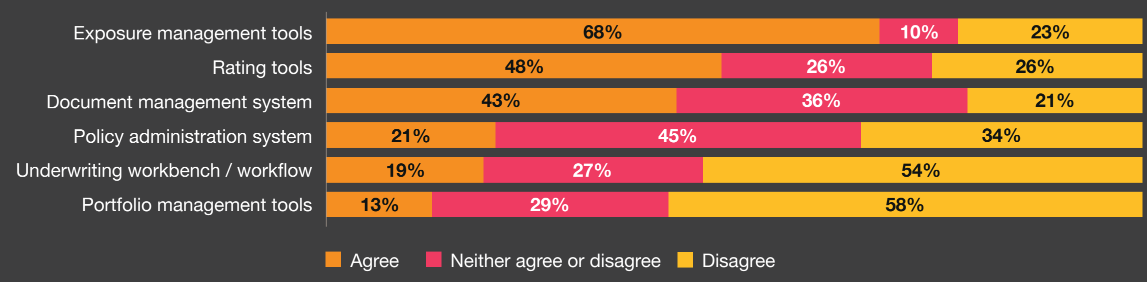


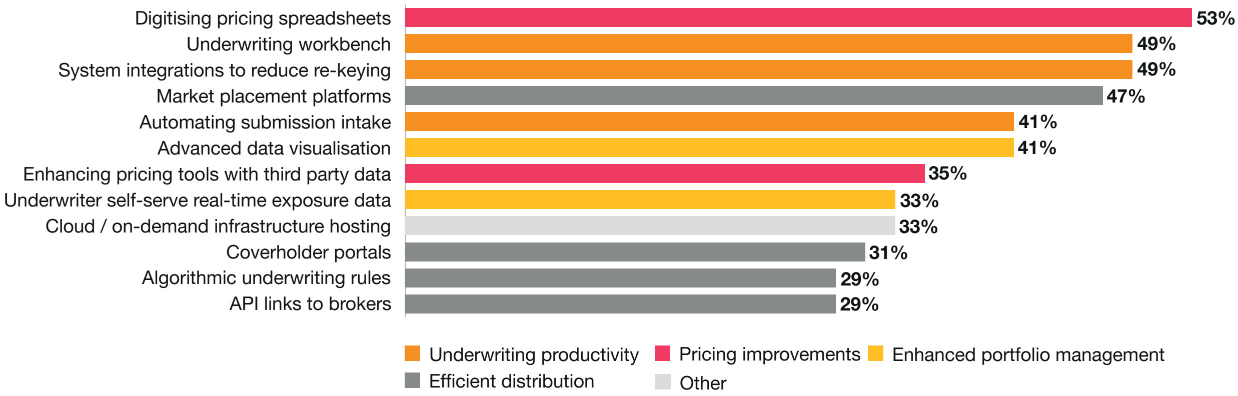
Figure 4: **To what extent do you agree your current tools are fit for purpose?**

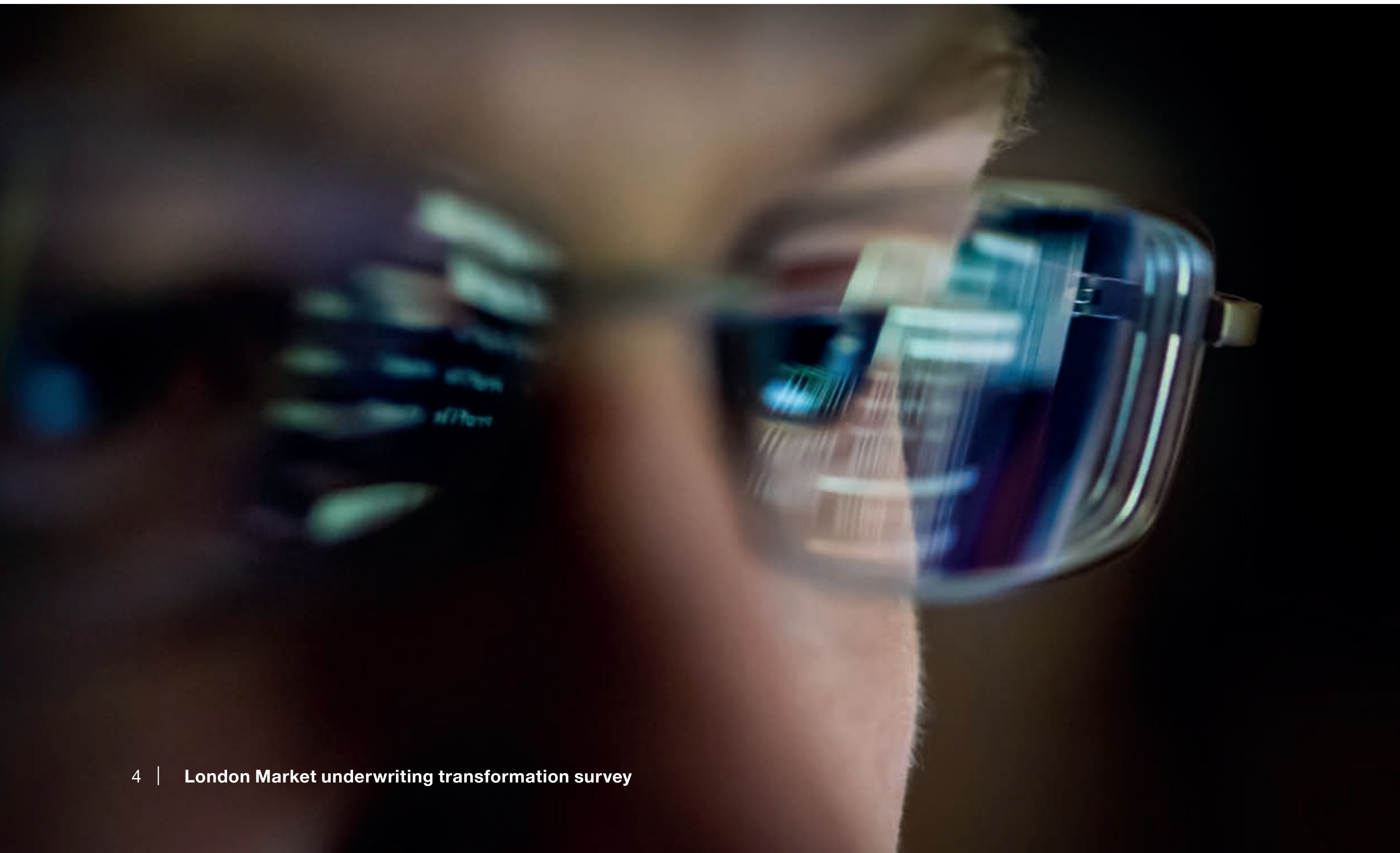


Initiatives and tooling

Insurers are showing ambition in the breadth of the technology change they are committed to implementing: a third are investing in more than four tools simultaneously. On the next page we offer our perspective on some areas to focus on to get the best value from investments.

Figure 5: **In which of the below is your company actively investing in the next 12 months?**





Investment: Digitising pricing spreadsheets

What we are seeing

The majority of firms have already started to move away from spreadsheets in accordance with regulatory best practice. But many are still on the journey and are now ‘half-on, half-off’, leaving the more complex, or smaller, classes to last. Carriers are now seeing the value beyond regulatory need, with business benefits from modern pricing tools including:

- vastly improved case and portfolio pricing and underwriting Management Information (MI)
- controlled but swift change to raters
- easier third-party data augmentation
- being able to update common information in all raters simultaneously

Elsewhere, control and compliance benefits include:

- greater visibility of adherence to pricing guidelines
- easier to monitor usage of the tool pre-bind
- greater consistency in the rating process across classes

How to be successful

1. Allow the rater to focus solely on rating: don’t be lured into trying to shoehorn unrelated functionality into your new sophisticated tool (e.g. referral management or exposure management).
2. Ease of configurability is critical: the rater is the tool in London Market insurers’ technology stacks that should be highly customised by class.
3. Better MI is at the heart of the value proposition from moving away from spreadsheets: focus on making MI quickly and easily available to underwriting teams.
4. Be clear on what data you want to be consistent across all raters and be firm in driving consistency. This has many benefits, including easier integration with policy administration, exposure management, and other systems.
5. Elevate raters, don’t just digitise existing spreadsheets: use the opportunity to think about how you can improve raters through the process, for example, by incorporating third party data sources or advanced analytics.

Investment: Underwriting workbench

What we are seeing

Insurers are on a spectrum when assessing and implementing workbenches.

Large multinational insurers have often already invested in this space, using workbenches to measure and drive underwriting productivity across classes and geographies.

Some Lloyd's carriers are currently selecting tools and defining their requirements, where others see the potential benefits but lack the data architecture to surface the information.

How to be successful

1. Be clear about your objectives for the workbench, for example, is it a prospect to bind tool, or a submission to quote tool? Is it primarily a decision support tool, or a workflow productivity enhancement tool, or both?
2. Prepare your data model and cloud capabilities before you consider which tool to choose: too many insurers jump straight to the choice of technology without considering the underlying architecture.
3. Adoption is key: underwriters need to be involved from the start – that includes in the design. Try and create some excitement and passion about the changes, but make sure you can deliver.
4. Put yourself in the underwriters' shoes: understand what will influence their decision-making and reflect that in the workbench. Don't overload them with excessive amounts of data.

Investment: Systems integrations to reduce re-keying

What we are seeing

Insurers have a multitude of overlapping legacy systems, with substantial dual-keying across the estate.

For many years, insurers focused on reducing this expense through near- or off-shoring, but this opportunity has been exhausted. The next step is to eliminate re-keying at the source.

IT estates are being modernised piece by piece. As insurers invest in new tools, they find themselves trying to integrate modern cloud-native API-enabled tools with legacy infrastructure.

How to be successful

1. Create an end-to-end scope and design showing exactly where capabilities sit and where the touch points are.
2. Map your data flow: be clear about which data items need to be entered at which stage, by whom, and into which tool. This not only reduces the number of integrations, but also helps take keying away from the front office.
3. Use Master Data Management (MDM) to "enter it once, enter it right." This only works with an agreed data flow through your estate.
4. Legacy policy administration platforms hinder the adoption of target data flows: explicitly recognise this when creating your business case for transformation. Embrace application rationalisation and consolidation opportunities.
5. Consider using an integration layer, don't just focus on point-to-point connections.

Investment: Market placement platforms

What we are seeing

The drive to adopt market placement platforms has been accelerated by a shift to hybrid working. It's clear that there are significant benefits from adopting these platforms. Underwriters are significantly more productive when they place business through, for example, PPL or Whitespace. But to reach their potential a lot of development is still required (e.g. API integration).

How to be successful

1. Highlight placement platform benefits: encourage underwriters to adopt the placement platforms, using its full range of functionality.
2. Integrate platforms that are API-enabled with your submission ingestion and workflow tools.

Investment: Automating submission intake

What we are seeing

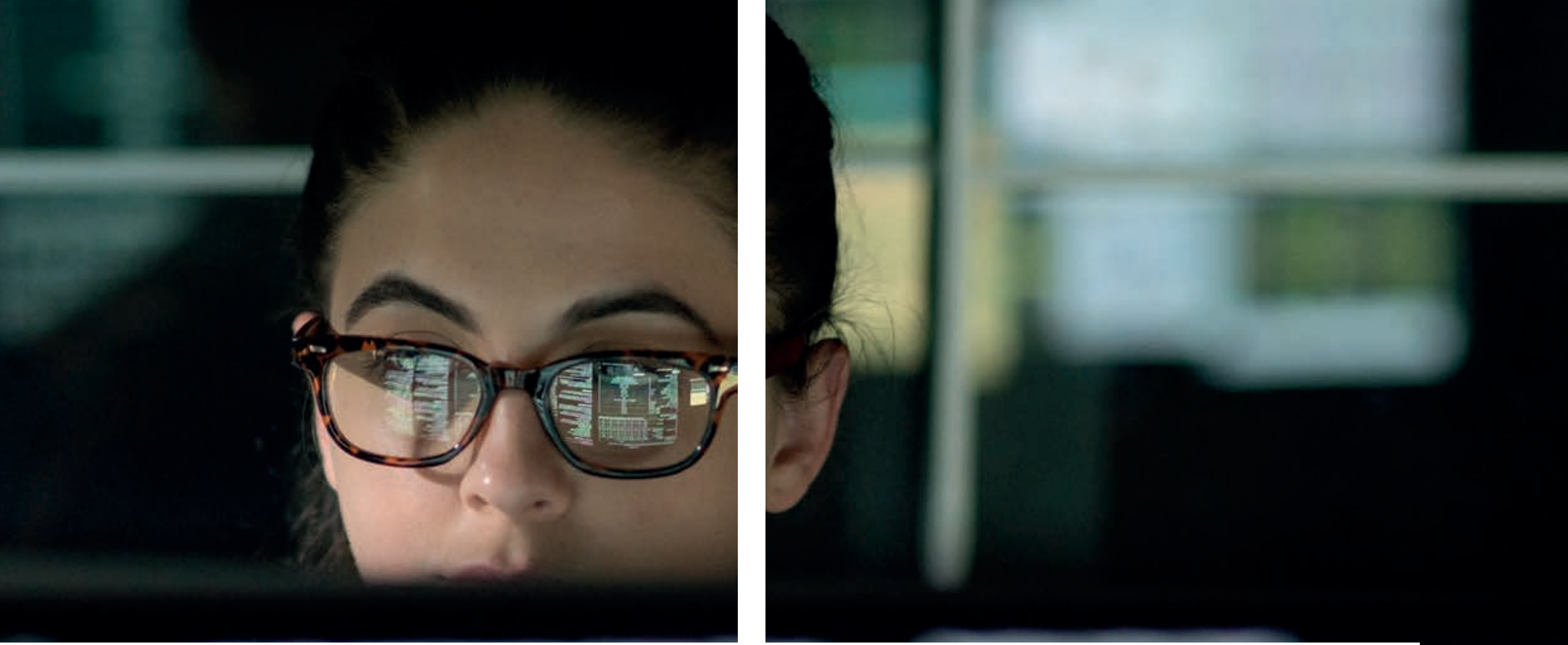
Carriers have always received large volumes of submissions; historically, firms would add underwriting resources to deal with increasing submission flow. But now focus has turned to:

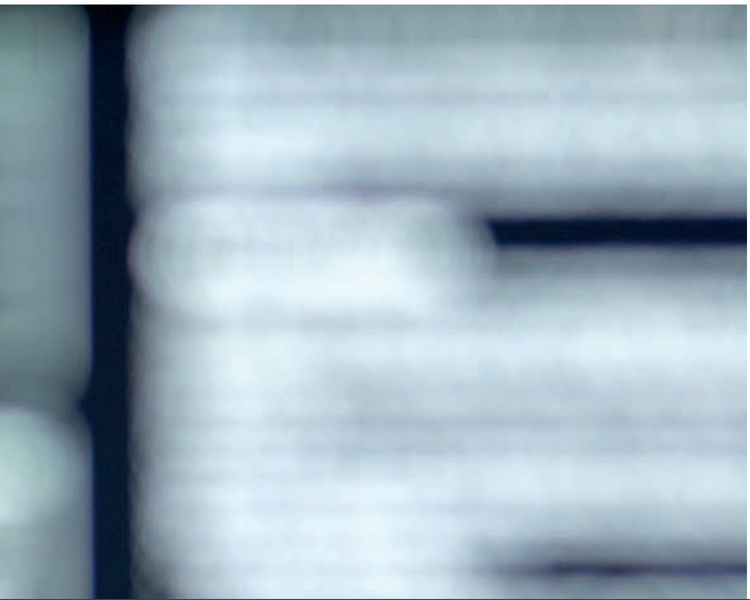
- triaging submissions to help underwriters focus on those most likely to bind
- ingesting submission data and pre-populating raters and other tools to make the process efficient
- automating associated manual tasks (e.g. sanctions or clearance)

Historically, insurers have not had the capacity to capture every submission – with an automated process it is possible to capture granular information about every submission (even those not taken up or declined). This opens up opportunities for insightful MI on portfolio management (e.g. historical claims on declined business).

How to be successful

1. A single solution for submission intake needs to be matched with a single business process, adopted consistently by underwriting teams.
2. You can quickly start to accumulate very large volumes of data: prepare a plan ahead of time to generate insight and benefit from it.





> Carriers are collecting ever more data, but value is understanding what data to use and how to provide usable insight to underwriters when they need it.
>
> **Michael Cook**
> PwC UK, Partner

Investment: Advanced data visualisation

What we are seeing

Historically, underwriters and portfolio managers have been poorly served with data. Analysis to support portfolio management and business planning has been created on an ad-hoc basis, through various spreadsheets.

Modern data visualisation tools offer a relatively inexpensive and easy way to aggregate and interrogate data, presenting it in meaningful ways to aid decision making and control.

How to be successful

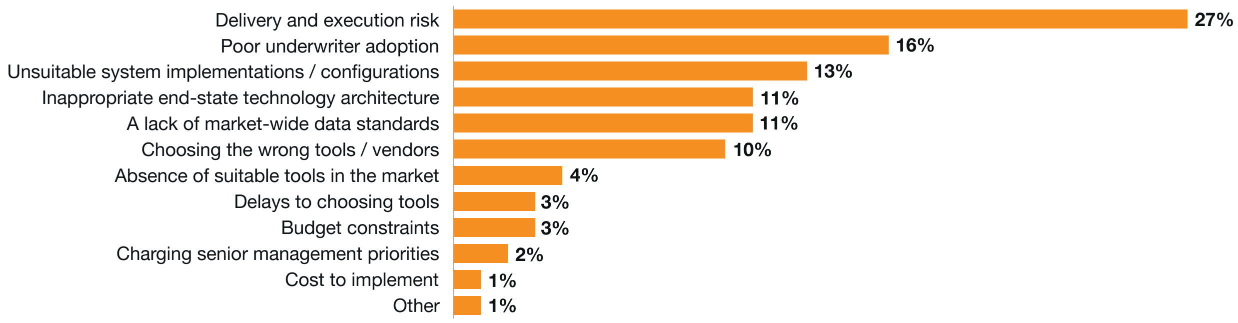
1. Don't bombard underwriters and portfolio managers with information: understand what they need and how it can be visualised. Offer insight, not just data. Recognise that different classes of business need different information at different times.

2. Giving underwriters access to data visualisation and analytics tools does not automatically bring benefits. The capabilities need to be incorporated into one of their everyday tools, such as a workbench, to focus their attention and present information at the times they need it most.

Risks and dependencies

Deploying new technology can be fraught with risk: many insurers spend a lot of money but fail to deliver on business cases. Below we highlight some key risks from the survey, alongside actions you can take to mitigate those risks and improve your chances of success.

Figure 6: **What do you think are the biggest risks to the success of your technology transformation?**



Delivery and execution risk

Potential issue

Poor system implementations, including, for example, misalignment on objectives, unnecessary customisation or inappropriate functionality extensions.

Mitigants

- Plan a complete and integrated change programme, rather than disjointed initiatives.
- Pick delivery partners who are prepared to challenge you. Hold them accountable and understand the root cause of delays.
- Be clear on what you need from any given tool before you select it.
- Don’t use Agile as an excuse not to project manage in a disciplined way.

Poor underwriter adoption

Potential issue

Underwriters not adopting new technology, or not using it for its intended purpose.

Mitigants

- Tooling must make underwriters’ lives easier: this is not a “nice to have.”
- Senior leadership need to communicate how this technology is changing the business and why correct usage is important.
- Make sure tools are brought into day-to-day business practices wherever possible.
- Control the messaging: if there are teething problems, don’t let these undermine the wider roll-out.
- Engage underwriting teams early on: make them feel part of the conversation. Make it a business-led transformation.
- Be realistic about targets and goals.

Unsuitable systems

Potential issue

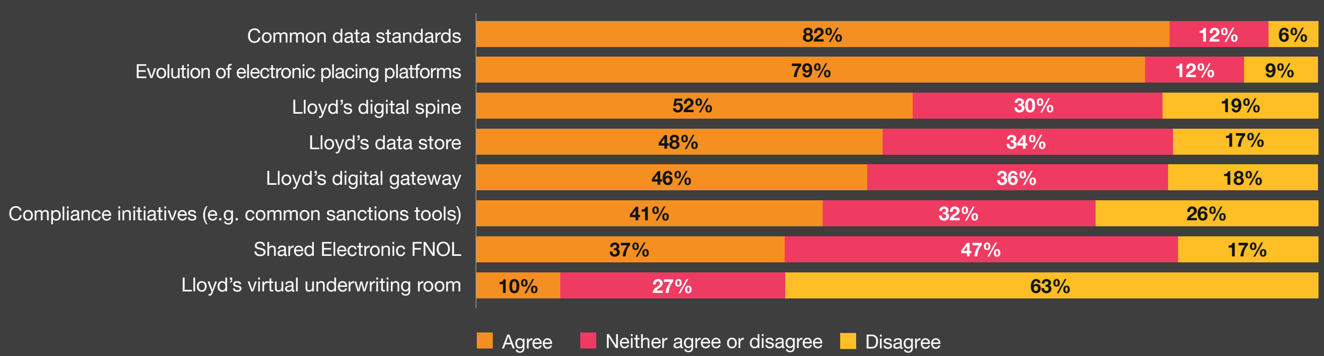
Choosing the wrong tools.

Mitigants

- As you build your end-to-end requirements, be clear about which tool is fulfilling which requirement. The “area” where requirements could partially be met by many tools, but not fully by one, is often an issue.
- Be certain about what you require your tools to do, differentiating between what tools can do and what they should do. Be confident that your selected tools can deliver what you really need.
- Be sure about what is out of the box and be mindful of what requires configuration. Watch the trade-off between volume of required configuration and speed of deployment.

> Everyone loses unless the market moves together towards common data standards.
>
> **Nick Donovan**
> PwC UK, Director

Figure 7: **Do you agree your transformation is dependent on the success of these market-wide efforts?**



What to do next

For carriers that are considering or are part-way through a technology deployment programme, we recommend six key actions:

1

Confirm your **business strategy** is informing your technology transformation. To future-proof your plans, you need to make explicit assumptions about how your business will change. For example, making assumptions about digital distribution and the need for API integration with brokers and other intermediaries.

2

Set clear and realistic objectives aligned to the business case for your transformation. Be explicit about what you are trying to achieve, and what defines success. The objectives must be instilled in day-to-day programme activity, otherwise development can easily go in the wrong direction.

3

Set an **end-state technology design** for your business. This can be flexible, but you need a picture of which applications will support which business activities. Don't work backwards (i.e. procure the technology and then work out what to do with it). Start with the business requirements and then decide how technology can best meet them.

4

Align technology investment with any cultural change programme and hybrid working efforts. Many such programmes fail because users do not use new tools in the way they were intended.

5

The biggest gains are made by combining new technology with **improved and standardised business processes.** Some aspects of specialty underwriting will forever remain class specific, but much activity is performed differently class-by-class because of historical practice, not real business need. Harmonising activity across classes creates a ripple effect of efficiency gains throughout the quote to post-bind process.

6

The adoption of **Common Data Standards**, starting with the Common Data Record (CDR) is vital to the transformation of the market as a whole. Play your part in driving these new ways of working: in some ways we are all in this together, dependent on each others' adoption and approach.

Contacts

Andy Moore
PwC UK, Partner
andy.moore@pwc.com
+44 (0)7702 677654

Michael Cook
PwC UK, Partner
michael.g.cook@pwc.com
+44 (0)7711 562567

Steven Gough
PwC UK, Partner
steven.j.gough@pwc.com
+44 (0)7730 733777

Nick Donovan
PwC UK, Director
nicholas.donovan@pwc.com
+44 (0)7483 423319

Callum Alexander
PwC UK, Manager
callum.alexander@pwc.com
+44 (0)7483 448939

www.pwc.co.uk

SPS Design RITM8227491 (05/22).