

Achieving High Performance Through Underwriting:  
It's Time to Move Beyond the Status Quo

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Following up on a survey of underwriters in 2005, Accenture conducted a similar survey in 2008 to gauge progress on the use of technology to help insurers achieve high performance. By polling members of the Chartered Property Casualty Underwriters (CPCU) Society Underwriting and Personal Lines Interest Groups, Accenture has measured the degree to which technology has helped underwriters perform more efficiently and more effectively, as well as explored new issues and trends faced by underwriters.

The underwriter plays a critical role in today's soft insurance market. With the erosion in premium typical of a soft market made worse by the slump in real estate sales, sagging automotive sales and rising unemployment, it is the work of the underwriter to preserve or improve loss ratios even as exposure-based pricing drops and the potential for fraud increases.

Accenture High Performance Business research and extensive experience show that high-performance businesses invest to strengthen their position even in a downturn. They do not hunker down to ride out the storm of economic uncertainty. Those businesses that come out ahead after a recession, such as the one in the early 90s, continue to march ahead on the journey to high performance regardless of the financial climate.

Findings from Accenture's latest survey of insurance underwriters, undertaken with the CPCU Society, show efforts from insurance companies to strengthen their position as the market has transitioned from hard to soft, putting technology to work to increase agent loyalty.

However, by neglecting to make meaningful progress in building other distinctive capabilities, many insurers have left their underwriters ill-equipped and too heavily burdened with manual work to devote sufficient focus to the business of relationship development and profitable growth. After years of maintaining the status quo or at best making only incremental changes, insurers will need to make transformational investments to help them achieve high performance across market cycles.

# Agent-focused investments trend up



Underwriting organizations have grown increasingly agent centric with new investments in technology since the 2005 survey, but the performance gains are not yet yielding the expectations of effectiveness.

Investments in next generation agent portals and service differentiation capabilities are on the rise. For example, over 95 percent of commercial and personal insurers have implemented or are in the process of implementing agent upload and download of policy information as well as enhanced web quoting and web inquiry tools. Nonetheless, from one-third to one-half indicated that these technologies are not working as expected and need

to be changed. While it appears that the standard practice is to invest in technology to strengthen partnerships with agents, for many insurers the effectiveness of the technology is falling short of expectations, limiting their capacity to grow and retain business, especially in today's soft market.

# Sluggish investments in underwriting

In a climate of eroding premiums, financial uncertainty, increasing regulatory pressure and the ongoing exodus of talent as expert underwriters reach retirement age, the need for supporting technologies has intensified. Unfortunately, results suggest that while some progress has been made, technology has not been brought fully to bear on underwriting practices. Underwriters responding to the 2008 survey indicate that they are very challenged and enthused with their jobs, however, they feel less well equipped to do their jobs than they did three years ago. For both personal and commercial lines, they found the following missing from their work environments:

- Streamlined and productive processes
- A balanced workload
- A high level of automation support

Training activity has dropped since 2005, and a major misalignment exists between what underwriters feel they need to succeed and what their companies provide. Overall, underwriters value training more highly than their companies do. In particular, underwriters are eager for leadership training, especially within commercial lines, while they believe their companies rank it as low in importance.

One area of concern is that neither underwriters nor their companies seem to value sales training. In today's market, the imperative is to build effective customer and agent relationships to secure new business, yet underwriters and the insurers are not focused on developing the necessary selling skills. Customer service appears to be an important area of training, so while insurers value the skills needed to service the business, they do not appear to value the consultative selling skills needed to acquire the business.

# Inadequate investments in high impact areas



Underwriters themselves have a positive outlook on underwriting practices within their own companies. However, the less than total adoption of core underwriting technologies suggests that these positive attitudes reflect the performance of individual underwriters, not the underwriting enterprise as a whole. Technology, supported by training, has the potential to raise the performance of all underwriters to a level consistent with the insurer's best underwriters, and sustain that level of performance even as those top performers move on or retire.

In 2005, underwriters identified five key functions that would have the highest impact on their jobs and needed changing for them to be more effective. By 2008, few companies had made the necessary investments to automate these five functions.

## High impact functions identified as needing change in 2005

- Risk selection
- Data verification
- Rating and pricing
- Book management
- Product development

## Insurers who had fully automated by 2008

	Personal	Small commercial	Mid-size to large commercial
Risk selection	38%	28%	20%
Data verification	22%	36%	28%
Rating and pricing	33%	13%	15%
Book management	22%	18%	24%
Product development	19%	17%	13%

# Technology in underwriting: Expecting results with deficient solutions



For insurers that have implemented technologies by 2008, their underwriters view several of the solutions as inadequate and needing to change. Among commercial lines underwriters, automated underwriting decisions and underwriting workstation top the list for applications needing improvement. Among personal lines underwriters, at least half of all respondents indicated that changes need to be made in applications supporting:

- Underwriting workstation
- Business intelligence
- Geographical information systems (GIS)

In 2008, underwriters identified additional functions needed for them to become more effective and efficient in their jobs. These are listed in the charts below, with 1 the highest priority among the top 5. Not even half of all companies have fully automated these high-impact functions; for some functions the extent of automation is startlingly low. For example, fewer than 17 percent of companies have implemented technology to support predictive models, yet it ranks among the top five for all three groups of insurance underwriters.

For those companies that have not yet applied technology to these functions or that have only partially automated these functions, there is a clear demand for improved support.

### Personal lines

High impact functions identified in 2008

1. Predictive models
2. Business intelligence
3. Rules Engines
4. Mapping (GIS)
5. Workflow

### Respondents indicating that the function inhibits job performance and needs to change

Manual functions                      Partially automated functions

- |      |     |
|------|-----|
| 100% | 78% |
| 95%  | 81% |
| 67%  | 81% |
| 100% | 88% |
| 86%  | 87% |

### Small commercial lines

High impact functions identified in 2008

1. Workflow
2. Rating
3. Predictive models
4. Rules-based risk assessment
5. Documentation

### Respondents indicating that the function inhibits job performance and needs to change

Manual functions                      Partially automated functions

- |      |     |
|------|-----|
| 100% | 96% |
| 85%  | 88% |
| 85%  | 88% |
| 83%  | 85% |
| 81%  | 83% |

### Mid-size to large commercial lines

High impact functions identified in 2008

- Documentation
- Pricing
- Rating
- Predictive models
- Business intelligence

### Respondents indicating that the function inhibits job performance and needs to change

Manual functions                      Partially automated functions

- |     |     |
|-----|-----|
| 92% | 92% |
| 83% | 87% |
| 83% | 87% |
| 83% | 87% |
| 92% | 91% |

## Personal lines

### Applications

Agent Upload
Web Inquiry for Agents
Automated Underwriting Decisions
Underwriting Workstation
Product Development Workbench
Business Intelligence
Data Driven Underwriting & Marketing
Mobile (Wireless) Technology
GIS Technologies
Timely Reporting Tools for Book Management

Respondents selecting "No Activity", indicate where there are plans to implement these applications in the next 12/24 months

12/24 Months	No Plans
100%	0%
0%	100%
67%	33%
50%	50%
22%	78%
67%	33%
43%	57%
0%	100%
25%	75%
67%	33%

## Small commercial lines

### Applications

Agent Upload
Agent Download
Web Quoting Facility For Agents
Web Inquiry for Agents
Automated Underwriting Decisions
Underwriting Workstation
Product Development Workbench
Business Intelligence
Data Driven Underwriting & Marketing
Mobile (Wireless) Technology
GIS Technologies
Timely Reporting Tools for Book Management

Respondents selecting "No Activity", indicate where there are plans to implement these applications in the next 12/24 months

12/24 Months	No Plans
0%	100%
0%	100%
100%	0%
0%	100%
20%	80%
25%	75%
25%	75%
33%	67%
50%	50%
40%	60%
0%	100%
0%	100%

## Mid-size to large commercial lines

### Applications

Agent Upload	22%
Agent Download	50%
Web Quoting Facility for Agents	20%
Web Inquiry for Agents	17%
Automated Underwriting Decisions	17%
Underwriting Workstation	13%
Policy Administration	0%
Product Development Workbench	17%
Business Intelligence	0%
Data Driven Underwriting & Marketing	0%
Mobile (Wireless) Technology	0%
GIS Technologies	0%
Timely Reporting Tools for Book Management	33%

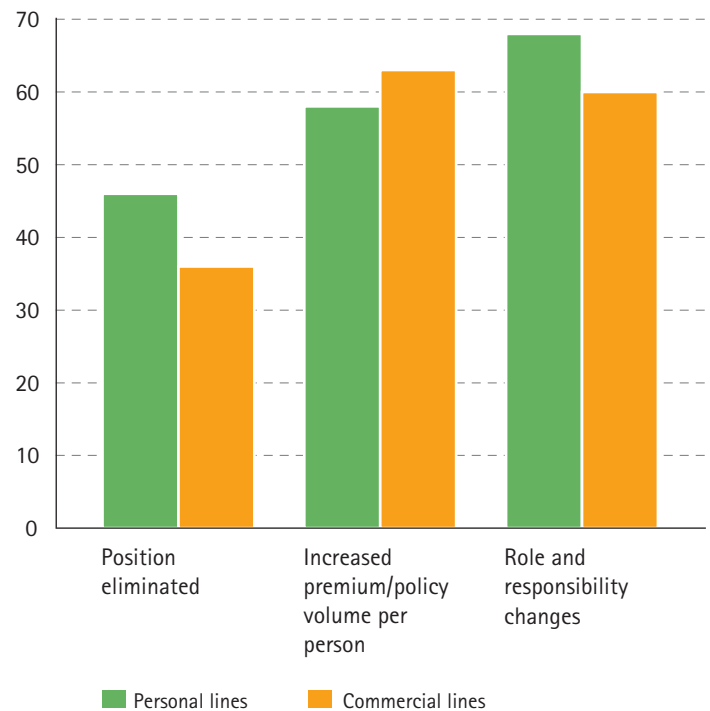
## Respondents selecting "No Activity", indicate where there are plans to implement these applications in the next 12/24 months

12/24 Months	No Plans
22%	78%
50%	50%
20%	80%
17%	83%
17%	83%
13%	87%
0%	100%
17%	83%
0%	100%
0%	100%
0%	100%
0%	100%
33%	67%

While underwriters appear to have received short shrift compared to agents when it comes to putting technology to work, it is encouraging that the survey indicates planned investments over the next 12 to 24 months to address the system inefficiencies and gaps. However, it is also clear that improvements must also be made in how these insurers build, introduce and maintain these underwriting technologies. Underwriters continue to rank their companies as only average when it comes to purchasing, developing and integrating technologies and they see the lack of process and data integration as having the biggest impact on the ineffectiveness of today's systems.

Even with underperforming systems and incomplete automation, most underwriters are optimistic about the promise and potential of technology and do expect ongoing automation to have a significant impact on their jobs.

% expecting automation impact





Introducing innovative product offerings drives profitable growth in any market cycle. In a soft market, creating differentiated products and services tailored to the end customer is the only way to defeat commoditization and win the pricing game.

# Underwriting practices and product development stay bound in status quo

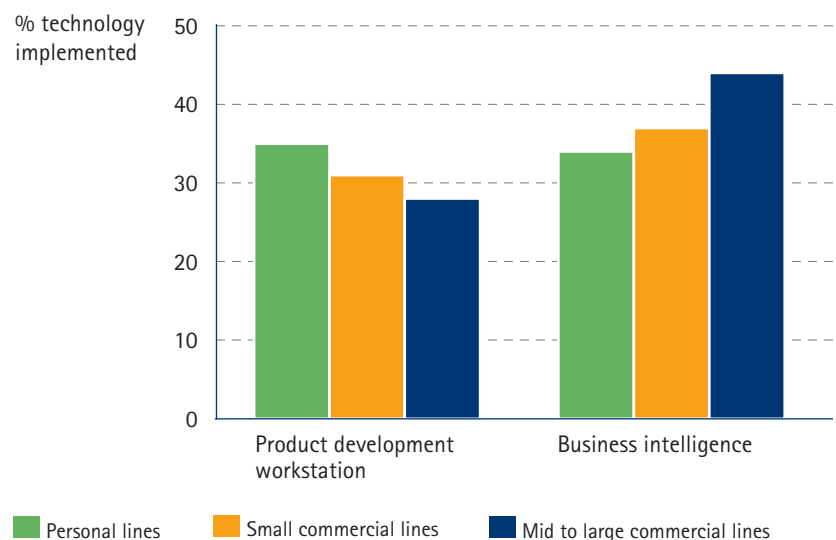


Introducing innovative product offerings drives profitable growth in any market cycle. In a soft market, creating differentiated products and services tailored to the end customer is the only way to defeat commoditization and win the pricing game. Two technology opportunities are being overlooked—opportunities that can help to bring compelling, profitably priced offerings to market quickly: business intelligence and product development.

Business intelligence helps generate the unique insights needed to develop superior underwriting rules and distinctive market offerings. Few commercial insurers that cited no activity in implementing business intelligence technologies have plans to do so in the future.

Product development workbenches speed the configuration, testing and deployment of new offerings that beat out the competition. Most insurers who have not industrialized product development have no plans to do so.

Rather, they will continue to rely on anecdotal history rather than data-rich insight as well as current manual approaches to product development. This inhibits their ability to innovate and perpetuates the risk of adverse selection and product commoditization.



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## Achieving high performance throughout market cycles

For property and casualty insurers of all types, cyclical markets are a certainty. With the distinctive capabilities developed through the pragmatic application of technology, sustained profitability, growth and ultimately, high performance can also become more of a certainty.

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