

THE NEXT ERA

TRANSFORMING MIDDLE-MARKET
AND LARGE COMMERCIAL LINES
UNDERWRITING



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IMAGINE A WORLD OF POSSIBILITIES

What words are insurance executives using to describe the future of commercial lines underwriting?

The very nature of insurance is to protect people, businesses, and assets from predictable damaging events. However, the pandemic taught us that it isn't enough to only prepare for the expected. We must also anticipate and plan for the unpredictable and adapt as the world changes.

It follows that in 2022, most insurance executives described the future of commercial lines underwriting as “adaptable.”

Although this is a shift from 2020, recent years have proven how the industry is constantly evolving, and part of the progress is adapting to new demands and needs.

In this e-book, we will discuss the state of mid/large commercial lines underwriting and the digital transformation journeys of insurers as they reimagine underwriting for 2022 and beyond.



CHANGE IS ACCELERATING

Most insurance executives agree that underwriting will become vastly different in the coming years.

Nearly nine in ten executives in mid/large commercial lines see significant change happening in five years. This is a leap from 2020, when only 69% expected underwriting change for the same time period, which indicates that shifts are already occurring across the segment. However, research shows that 94% of executives in both 2022 and 2020 anticipate true change ten years from now.



2030 VISION: THE FUTURE OF UNDERWRITING

Major themes will shape underwriting transformation

Two significant themes have emerged in recent years that not only highlight the adaptability of the insurance industry but also signify what will accelerate the transformation of property and casualty insurance underwriting in the next five to ten years.

STATE OF TRANSFORMATION:

In recent years, many insurers recognized that the true state of their business was at Level 1 transformation, which is characterized by incremental and continuous strategic initiatives to drive optimization and efficiency. Insurers responded by reimagining their plans and pursuing more innovation. Today, the landscape is shifting toward Level 2 transformation, with more dramatic and innovative changes in underwriting, including the increasing use of data and AI.

INSURANCE TALENT:

A few years ago, a central topic of conversations around talent was how artificial intelligence would impact roles and responsibilities. Now, talk has shifted toward people and the talent the industry will need to continue to push transformation forward. The new virtual and digital era resulting from the pandemic is creating unique talent needs for insurers that will reshape underwriting careers in the future.

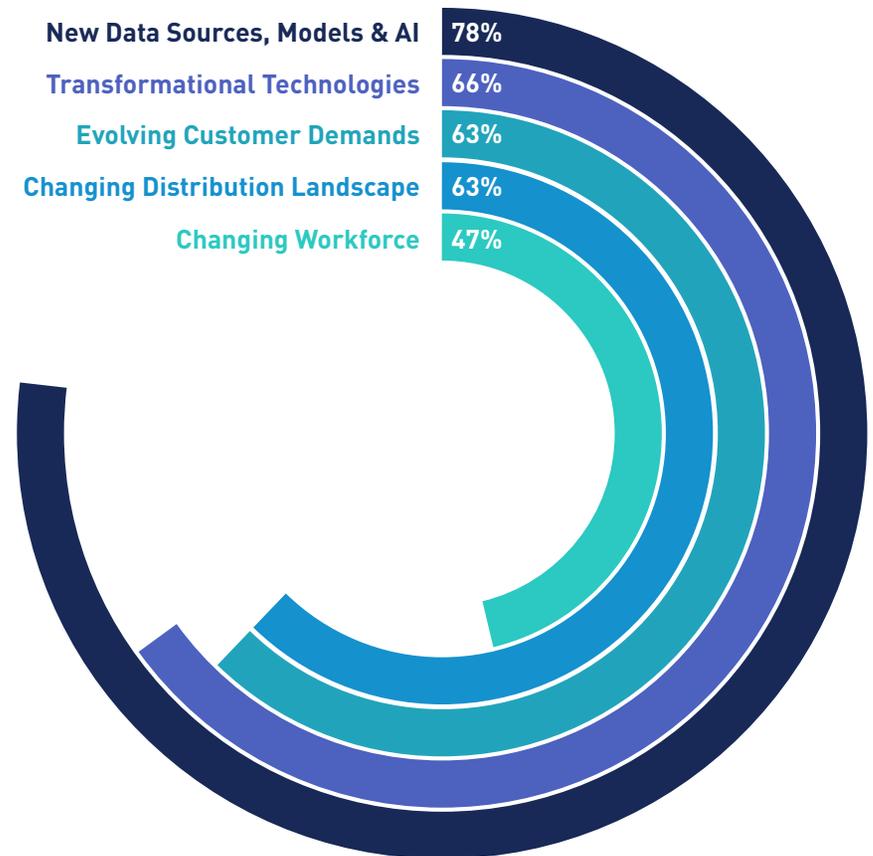


WHAT IS DRIVING UNDERWRITING TRANSFORMATION?

Several factors are pushing underwriting transformation forward

Insurers recognize that they must transform their underwriting departments from the inside out. Therefore, it is unsurprising that the prioritization of new data sources, models, AI, and transformational technologies has not wavered—these factors were named as the top two drivers of underwriting transformation in 2020 and 2022.

However, the influence of an evolving distribution landscape has changed in recent years, driving 63% of underwriting transformation initiatives today—up from 45% two years ago. New workforce dynamics resulting from the pandemic, such as remote and hybrid work, are also more impactful than in 2020, when only 29% of insurers listed it as a top driver of underwriting transformation.



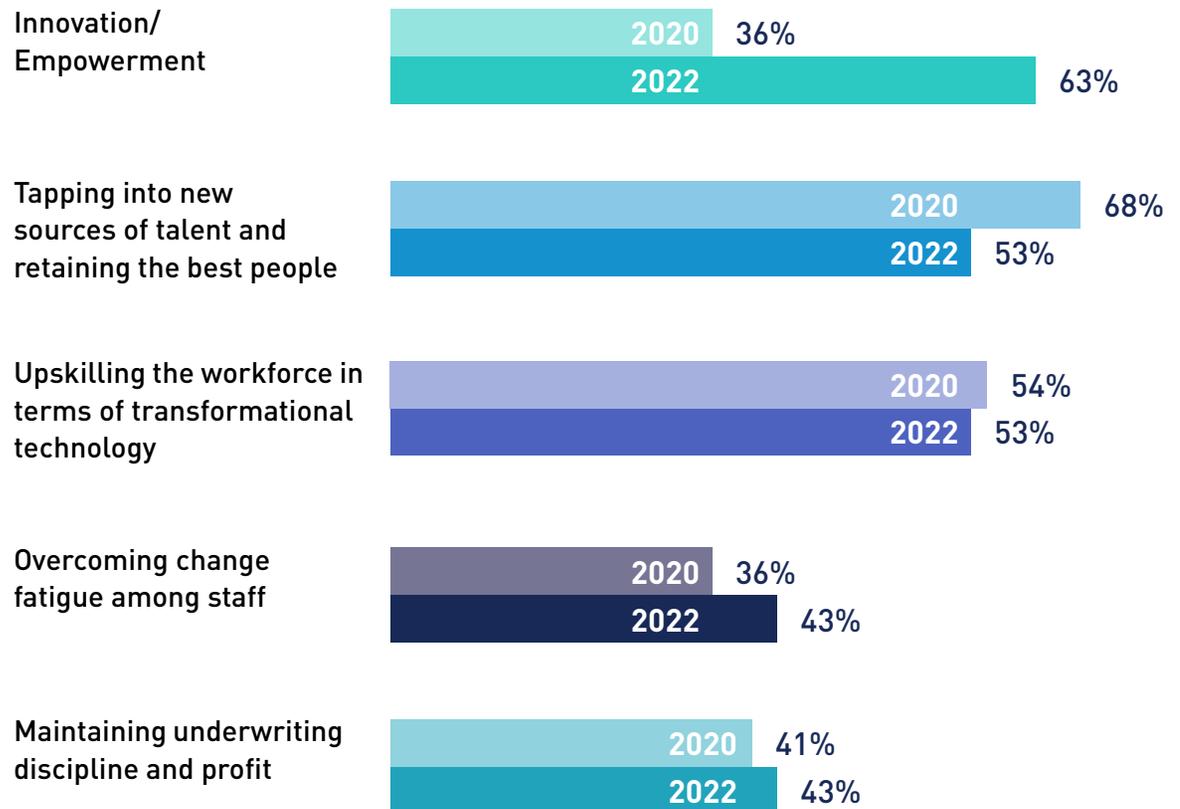
CHALLENGES IMPACTING CULTURE

Insurance executives are concerned about the future of their underwriting departments

Technology has drastically changed the makeup of underwriting roles today. The progression of innovation is fueling concerns among insurance executives, who worry about the impact of technology on the culture of underwriting teams. Consider that 27% more leaders in 2022 than in 2020 are worried about effectively empowering underwriting departments to innovate.

Attracting new talent also remains a top concern—albeit less so than a few years ago—as hiring managers contend against each other for the industry’s best talent in a hyper-competitive job market.

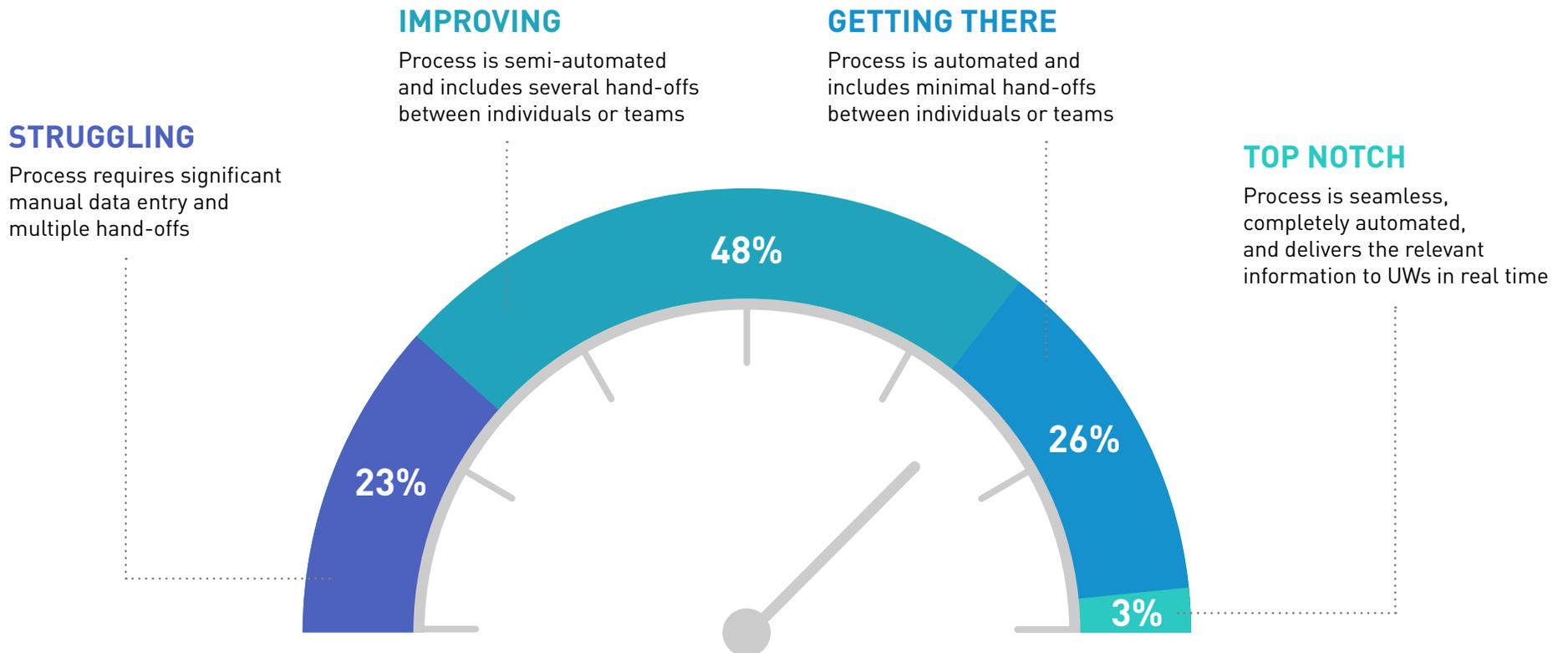
PERCENT OF INSURERS CITING EACH CULTURE CHALLENGE



THE UNDERWRITING PROCESS JOURNEY

There has been industry progress, but insurers still have room to improve

Although several insurers are moving forward in their underwriting transformation journeys, many still consider themselves “struggling” in that regard—up from 14% in 2020 to 23% in 2022. Most insurers realized they were not as far along on their transformation journeys when the pandemic exposed gaps in their capabilities. But through transformational technologies, AI, and data, various initiatives are being deployed to improve processes.



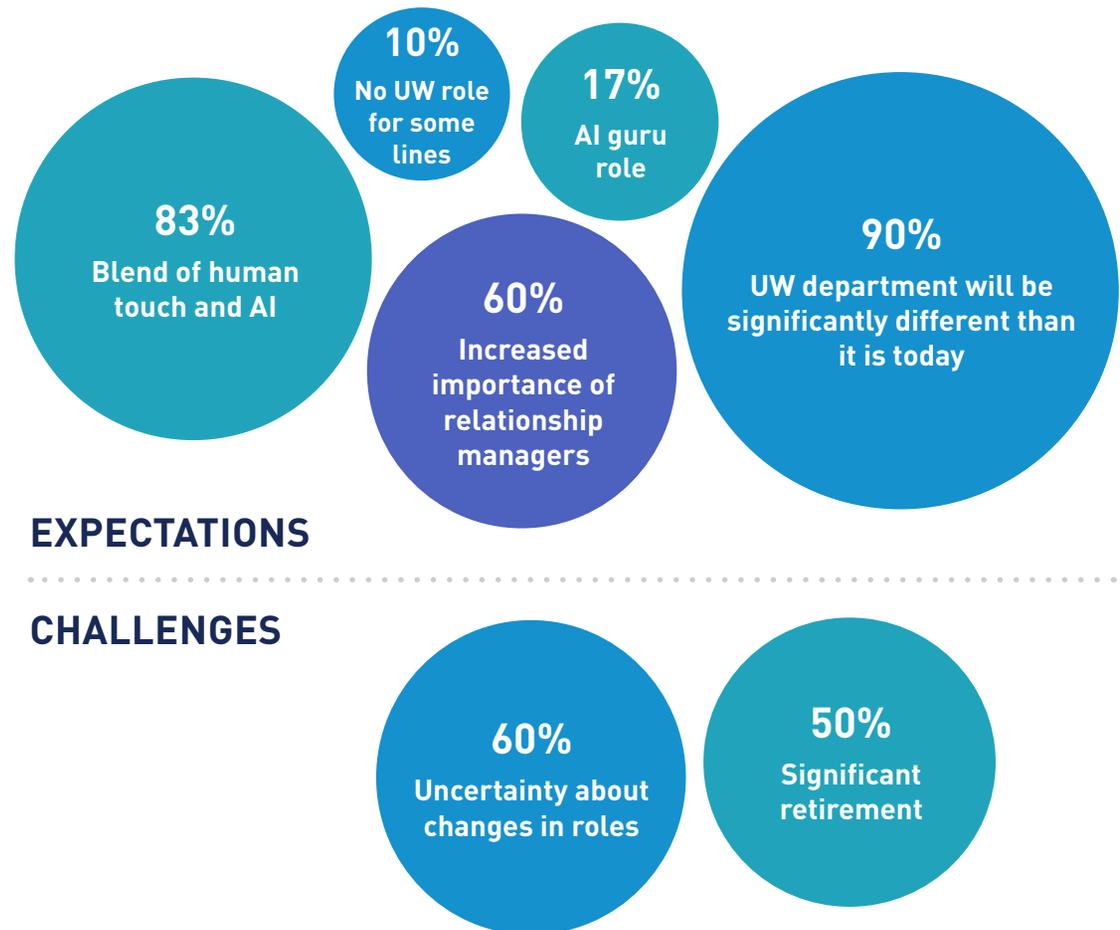
THE BLEND OF HUMANS AND AI

Insurers expect technology to alter the fabric of underwriting roles

According to the U.S. Bureau of Labor Statistics, the insurance industry is about halfway through a massive 15-year turnover wave, with half the workforce retiring by 2028.

The “retirement wave,” paired with automation, is resulting in tremendous changes within underwriting roles as a new blend of human touch and AI emerges—a trend more than four-fifths of leaders expect. It also follows that 90% of leaders think their underwriting departments will significantly differ in five years.

However, challenges do lie ahead. Although only 10% of executives see the underwriting role disappearing in some lines, more than half are uncertain about possible role changes in the future.



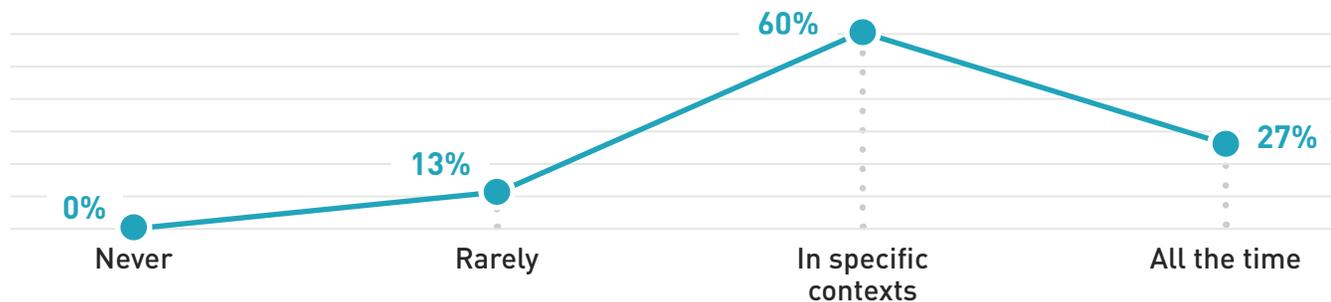
UNDERWRITERS – THE INTERNAL INFLUENCERS

Underwriters will continue to play vital and active roles in insurers' transformation plans

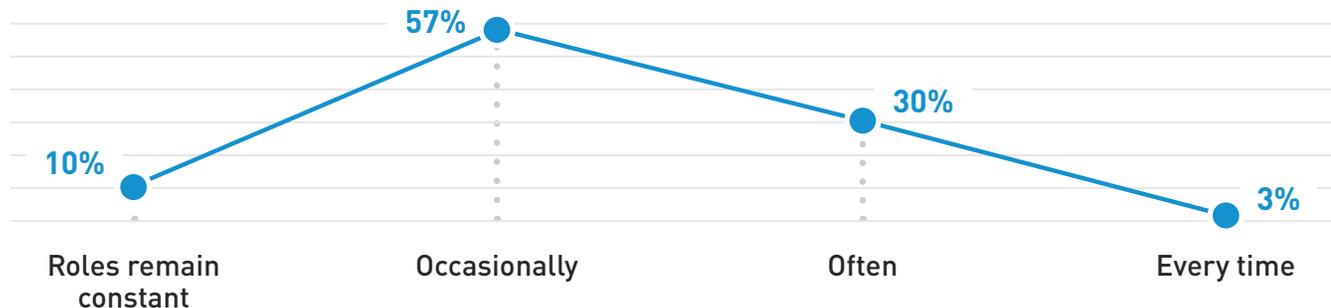
More than half of insurers are leveraging their underwriting talent to drive innovation in specific contexts within their organizations. Only 13% stated that their underwriters have little influence over designing their company's future and none said that underwriters have zero involvement whatsoever.

At the same time, most insurers are experiencing an evolution with underwriting roles as their operations become more innovative, with only 10% stating roles have remained consistent. But what's clear is that there are missed opportunities for insurers to capitalize on the expertise of underwriting teams to push organizations into a new digital era. Future success will rely upon insurers' ability to leverage underwriters and balance their duties between operations and strategic participation.

Underwriting Teams Involved in Innovation



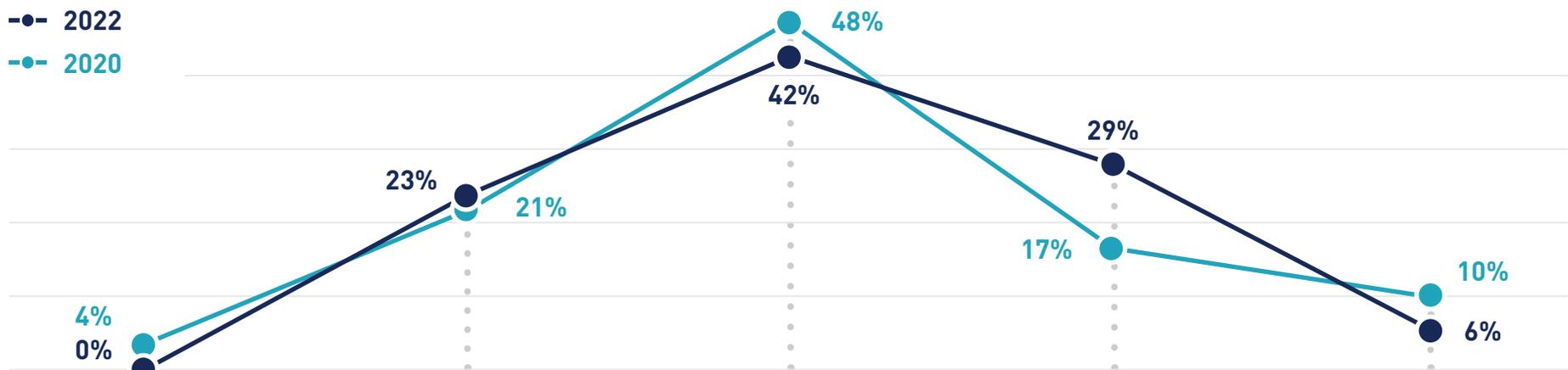
Changes in Underwriting Roles



MOVING TECH FORWARD – FAST

Research indicates insurers are finally moving beyond core transformation

Since 2020, a cohort of insurers has progressed their mid/large commercial lines businesses past the modernization of their policy admin systems to deploy transformational technologies and more innovative underwriting tools. Today, 29% of insurers are “Fast Followers.” On the other hand, 65% of insurers are not yet investing heavily in transformational technologies and advanced automation tools because they remain in earlier phases of digital transformation.



AN AFTERTHOUGHT

Technology is all legacy, not integrated. No transformation plans in process.

STRUGGLING

Multiple systems and tools that must be used by an individual each day. Core system is limiting and there is a focus on upgrading it.

GETTING THERE

Varying levels of automation, with most focus still around policy admin. Separate underwriting tools are not integrated. Beginning to explore transformational technologies.

FAST FOLLOWER

Modern policy admin system and deploying specific underwriting tools. Beginning to deploy transformational technologies.

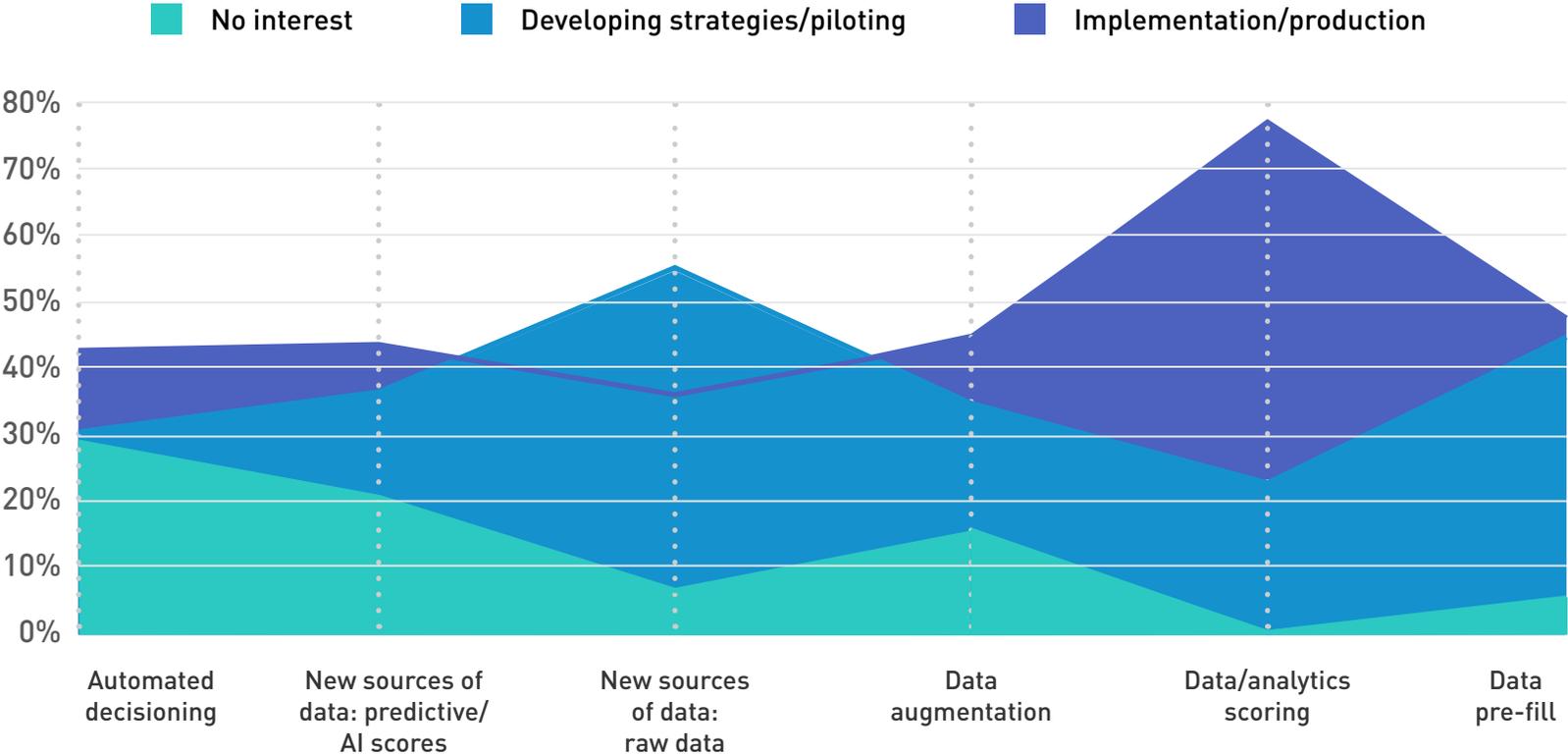
MARKET LEADER

Advanced automation and tools in underwriting beyond policy admin system. Leveraging the use of transformational technologies.

MISSION-CRITICAL DATA/ANALYTICS

Insurers are utilizing new sources to accelerate underwriting transformations

New data sources and the use of analytics and AI are the drivers of transformation and change. This data shows that there is acceleration, with the majority of insurers (77%) in the implementation or production stages with data/analytics scoring. Fifty-seven percent of insurers are also developing strategies and launching new raw data sources pilots. Automated decisioning is the area with the least interest, with 29% of insurers stating they have no initiatives underway.

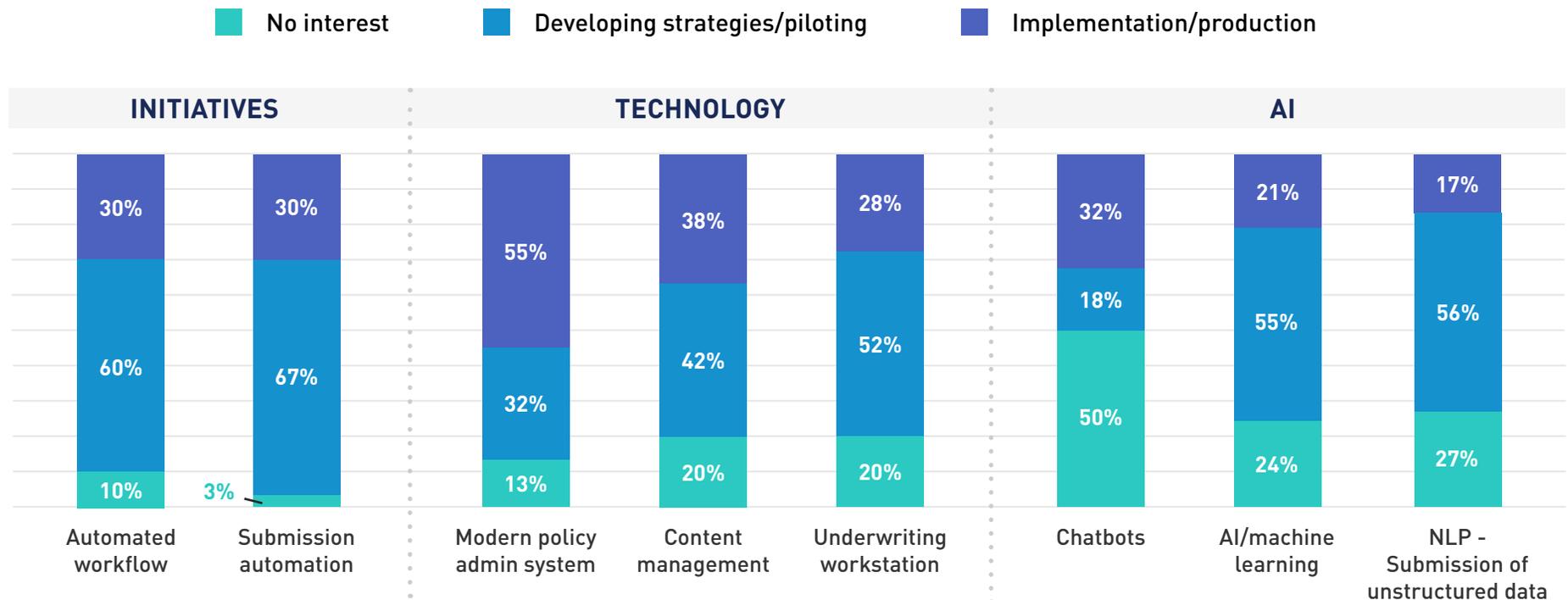


THE INVESTMENTS DRIVING CHANGE

Insurers are investing in a variety of initiatives and technologies to accelerate underwriting transformation

Insurers are fast-tracking their underwriting transformations thanks to strategic investments in initiatives, technology, and artificial intelligence. Currently, more than half are implementing or are in production with modern policy admin systems. Conversely, 50% say they have zero interest in chatbot investments. Many are also planning or piloting submission automation initiatives.

The data illustrates that underwriting transformation cannot rely on a single technology—insurers must pursue a range of solutions that all work together to successfully move their underwriting departments into the next era.



CALL TO ACTION

The tech and data stack has flipped, requiring a new call to action

WHY DOES CHANGE MATTER?

- External influencers, such as talent challenges, shifting demographics, the Great Resignation, and changing workplace dynamics are creating change all around us
- New entrants are driving competition
- Digital interactions with policyholders and agents/distributors are driving initiatives

WHO WILL DRIVE THE CHANGE?

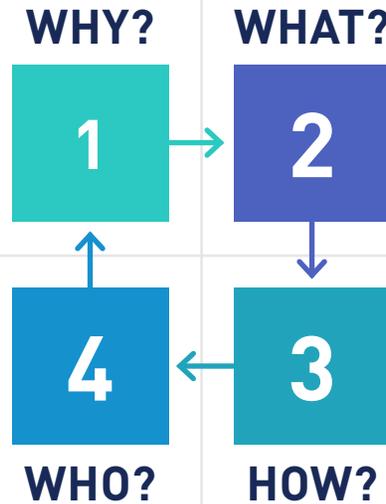
- All stakeholders in the business, from the top to the end user
- CEOs and the C-suite must lead
- Heads of underwriting—the chief underwriting officer—must sponsor change
- Underwriters and the underwriting department should actively participate and be involved
- IT/Tech are only enablers, not drivers

WHAT IS CHANGING?

- Insurance roles
- Operating models, including workflows and processes
- Business and technology capabilities
- New technology tools and data are now available to enable change

HOW DO WE DECIDE THE ROADMAP AHEAD?

- Gain clarity on where you are going – create a future vision
- Prioritize initiatives and create a plan that forms a journey
- For business, begin to draft the future target operating model
- For tech and data stack options, understand and evaluate new tech solutions and data sourcing options



SERVICES

There's significant and rapid transformation happening throughout the P&C insurance ecosystem.

ReSource Pro Consulting offers insights and research across all lines of business, covering the entire P&C ecosystem, including carriers, distributors, vendors, and insurtechs.

ReSource Pro's services and research guide our clients in accelerating their transformation journeys.



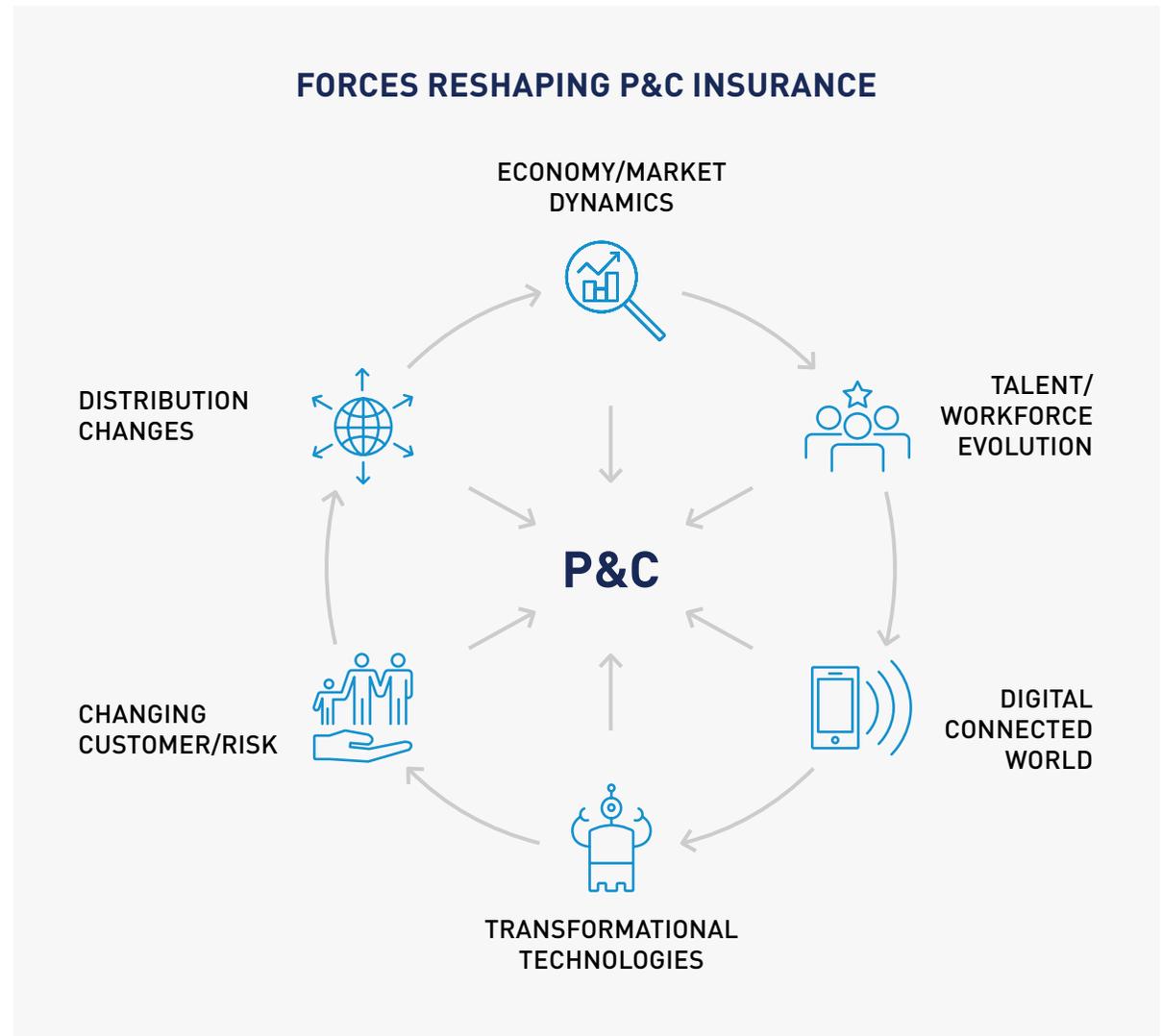
Clear Strategy



Informed Decisions



Pragmatic Roadmaps



ABOUT THE AUTHORS



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Deb Smallwood, Senior Partner, is widely recognized as an industry thought leader who is known for her expertise in helping companies rethink the traditional business of insurance and position for success in the changing insurance world. As a founding member of Strategy Meets Action, a leading strategic advisory firm, she brought her passion to advise insurers on innovative ways to leverage digital, foundational, and transformational technologies that are required in the digital connected world.



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RESOURCE PRO CONSULTING

ReSource Pro Consulting was formed through the consolidation of three industry-leading consulting and advisory practices: Strategy Meets Action, Nolan, and Oceanus Partners. Collectively, our team of thought leaders and practitioners bring decades of insurance industry experience to develop transformational solutions that tackle complex problems and position organizations for success in a rapidly changing operating environment. Together, we help insurance organizations gain strategic guidance, operational process optimization, technology transformation, and workforce enablement to drive profitable growth.





ABOUT RESOURCE PRO

ReSource Pro is an insurance-focused business solutions company that integrates people, process, technology, and data analytics. Over 1,500 carriers, brokers, and MGAs rely on ReSource Pro to execute strategies that improve profitability, accelerate growth, deliver improved claim outcomes, and enhance client and employee experience. With more than 7,000 employees globally, ReSource Pro provides business process management, strategic advisory services, management and organic growth consulting, training, and compliance solutions around the clock. ReSource Pro was listed as one of the Inc. 5000 Fastest Growing Private Companies from 2009 to 2021 and has consistently achieved a +95% client retention rate for over a decade.

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RESOURCE PRO RESEARCH REPORT

This report is powered by Strategy Meets Action research and methodology.

Source: SMA's State of P&C Underwriting Transformation survey (n=70).

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