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COMMENTARY

AI and the Amazon Effect on Commercial Insurance

A successful AI-powered digital distribution strategy integrates tried-and-true customer relationship-building strategies with new data-driven digital experiences.

Ron Glozman // June 21, 2021



(Image credit: Shutterstock.)

“What’s dangerous is not to evolve.”

– Jeff Bezos

Let me ask a loaded question that might ruffle a few feathers: How successful do you think Amazon would be if it only responded to 40-50 percent of the orders customers placed online? It may sound absurd, but this is exactly the predicament many commercial insurance brokers and agents are put in every day when they submit an application to a carrier on their customer’s behalf.

A lack of automation in the submission intake process means that many carriers can only respond to less than half of the submissions they receive simply because they get too many. For business that the carrier doesn’t want to write, it’s not uncommon for distribution partners to receive no response at all. Can you think of another industry where this would be acceptable?

Sure, you can argue this isn’t a fair comparison. Insurance is complex, a world unto itself. Commercial insurance coverage is a unique product category that can’t—and shouldn’t—be sold online the same way as, say, a new tablet or yoga mat. But the Amazon example exposes just how far behind commercial insurance has been historically when it comes to the digital customer experience, and why it’s full speed ahead for digital transformation in commercial lines.

“I like to liken it to Amazon,” says Tony Fenton (<https://soundcloud.com/user-876540392-988706710/ep-035-the-future-of-commercial-lines-underwriting-with-tony-fenton>), VP, Commercial Lines Underwriting and Product, Nationwide. “Think about this last year from a pandemic perspective, having the ability to click ‘Buy’ and get an item in a couple of days. That user experience is unique and different. I think the insurance transaction hasn’t morphed a lot over the last couple of decades. The expectation of agents and customers

continue to change and if companies don't clearly understand the needs of our distribution partners and customers and meet them where they're at with the evolving expectations, I do think that there will be gaps."

A Holistic Approach to Insurance Innovation

It might be tempting to dismiss the lack of automation as a "carrier problem," but high-volume manual processes create bottlenecks, gaps and friction that can be felt across the entire insurance value chain—carriers, brokers, MGAs, and independent agents all struggle with the impact of outdated manual processes. On the broker side, examples of time-consuming manual processes that are ripe for automation and acceleration include checking policies for errors and omissions and comparing quotes to find the best option for clients.

While everyone has a vested interest in making the end-to-end, quote-to-bind process as smooth as possible, brokers, MGAs and independent agents are the first to hear from frustrated customers when manual underwriting and brokering processes cause delayed responses, errors and omissions, or holdups in issuing a policy. So, it's no surprise that brokers and agents have traditionally been the most vocal catalysts for change, taking up the charge when it comes to embracing emerging technologies like artificial intelligence (AI) that can elevate the customer experience.

In this article, I want to talk about how AI can help you deliver a better customer experience by providing new ways to solve old problems that continue to plague the commercial insurance industry.

The Amazon Effect on Insurance is Real

We live in a digital age where everyone expects information and services to be one swipe or click away and that applies to insurance, even commercial insurance. The modern insurance buyer expects information to be available 24/7/365 and services to be supplied in a quick and personalized way. In short, your customer wants more from you than you can provide today—more personalization, more speed and responsiveness, and more interaction than once a year at renewal time. This doesn't mean that the broker and agent channel is going anywhere, especially for complex risks or bespoke services like commercial insurance. What it does highlight is that carriers, brokers and agents all need to up their game when it comes to customer experience.

In a survey commissioned by RightNow, 86 percent of buyers said they would pay more for a better customer experience. Insurance companies that combine high-quality products, high-quality service and high-quality customer experiences will outpace their competition. It's the experience that drives increased customer acquisition, higher retention rates and lifetime value, and ultimately a better book of business. One of the best ways to achieve this is to develop a digital customer experience powered by AI.

Better Customer Service Through Automation

What if carriers could respond to every submission they receive from brokers and agents with speed and efficiency? What if brokers could spend less time checking policies and comparing quotes, and more time interacting with customers?

Think about it: If you're not spending time with customers, what are you doing instead? If you're like most insurance professionals, you're up to your neck in tedious administrative tasks, filling out forms, submitting applications to carriers via email or portals (each with their own risk appetite and underwriting questions), going back and forth with carriers to respond to requests for more information, rekeying the same data into multiple systems or spreadsheets, and reading hundreds of pages of policies prior to issuance.

By offloading these manual tasks to intelligent machines, your skilled staff could focus their time and talents on more value-added areas such as account management, deepening customer relationships (and engaging with customers more than just at initial contract and annual renewal), providing coverage recommendations, identifying opportunities to cross-sell emerging coverages like cyber and, ultimately, increasing revenue

Solving the Insurance Data Problem with AI

The manual tasks above have one thing in common. They all require data trapped in digital documents—applications, quotes, binders, policies, endorsements, etc. Our industry may have replaced paper with PDFs, but there is still an incredible amount of “digital” paper pushing, rekeying and busywork that goes on behind the scenes.

According to Datamation, documents make up over 80-85 percent of the data in most business organizations (<https://www.datamation.com/big-data/structured-vs-unstructured-data.html>). This freeform, unstructured data causes a lot of problems for insurance companies, distribution partners, and insureds. When data is siloed and trapped within documents, the workflows and business processes that depend on this data remain highly manual; they require an enormous amount of time, effort, and cost to manage.

Carriers read through mountains of submissions or documents to pinpoint the appropriate data elements needed to access and price the risk. They must then manually triage submissions and rekey the data into multiple systems. Today, the process can take days, weeks, or even months. Brokers must routinely read through hundreds or thousands of pages of commercial insurance documentation to identify errors and omissions that may expose them to risk—when it comes to E&O, the buck stops at the broker.

Dr. Robert Hartwig, clinical associate professor of finance and director of the Risk and Uncertainty Management Center at the University of South Carolina's Darla Moore School of Business, puts it this way (<https://www.chisel.ai/blog/qa-with-dr-robert-hartwig>): “Most of the available data in the world is unstructured – it's not neatly arranged in spreadsheets. It's messy, strewn with errors, incomplete and ambiguous. To harness the power of ‘real world’ data, insurers will increasingly rely on machine learning and artificial intelligence.”

One thing AI does exceptionally well is processing massive amounts of data. Using AI, machine learning, and natural language understanding (NLU), which is a fancy term for teaching computers to read, carriers and brokers can extract, classify and analyze unstructured insurance data hundreds of times faster than a human knowledge worker.

What makes AI solutions even more powerful is that they can be trained to read and understand insurance-specific language. For example, when a well-trained AI solution reads a document, it can make sense of key relationships such as who is the underwriter, who is the broker or agent, who is the insured, what is the premium, and what is the limit? It can

also understand the relationship between documents, checking a submission, quote, and binder against a policy, for example, or validating a new policy against an expiring policy to ensure contract certainty and completeness

A well-trained AI solution is not only faster but also much more accurate than a skilled knowledge worker, and because it learns, its accuracy improves over time. Unlike human knowledge workers, machines don't get tired or distracted, they don't have bad days, they don't need coffee, and they don't mind repetitive rote work one bit.

By deploying automated workflows powered by AI, insurance companies can improve operational efficiencies, mitigate E&O risk, and reduce policy turnaround times. Freed from the burden of high-volume, repetitive, manual tasks, skilled knowledge workers can now focus on high-value customer-facing initiatives and hands-on personal contact with customers

Final Thoughts

The status quo in our industry today falls far short of customer expectations for a fast and personalized digital experience. The pandemic has only widened the gap, threatening to leave some insurers behind.

Even in the darkest days of the pandemic, Chris Paradiso (<https://soundcloud.com/user-876540392-988706710/ep-020-the-insurance-agent-of-the-future-featuring-chris-paradiso>), Owner of Paradiso Insurance, found reason to stay positive: "COVID is a storm and through this storm, agencies are forced to adapt, which they should have been doing before; they're forced to do e-signatures, for example. E-signatures save time. They save the agency money. They take away the aggravation for the customer." As Paradiso reminds us, "Skilled sailors do not become skilled sailing through smooth seas." If we can find a silver lining in the pandemic, it may be that the commercial insurance industry will emerge on the other side of this crisis more resilient, digitally-adept, and customer-centric than ever before.

While AI can help enormously by automating and accelerating many workflows along the insurance value chain, one thing it will never replace is the personal touch. "Insurance is a relationship business, I will always believe in that," Paradiso insists. "It's trust-driven and trust-driven simply means you need to have a digital strategy.... You need to have a data strategy. It's nothing other than being able to bring the relationship back."

A successful AI-powered digital distribution strategy integrates tried-and-true customer relationship-building strategies with new data-driven digital experiences. When humans and machines work together, the result is a powerful mesh of old and new. I like to think of it as digitally enabling carriers and brokers to deliver a better experience across all customer touchpoints and giving human insurance professionals superhuman powers. It's amazing what skilled insurance knowledge workers can achieve when you remove the burden of mind-numbing administrative tasks and free up their time to focus on what they do best – advising customers, nurturing relationships, and building their book of business.

Editor's note: *An earlier version of this article first appeared in Last Agent Standing (<https://www.paradisopresents.com/last-agent-standing-vol5/>), a magazine produced by Paradiso Presents (<http://www.paradisopresents.com/>). One hundred percent of the profits from sales of the magazine go to charity.*