



## Episode 16: Uniting Experts In Commercial Lines

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**SPEAKER 1:** You're listening to "(Re)thinking Insurance," a podcast series from Willis Towers Watson, where we discuss the issues facing P&C, Life, and composite insurers around the globe, as well as exploring the latest tools, techniques, and innovations that will help you to rethink insurance.

**VITTORIO MAGATTI:** Hello, and welcome to "(Re)thinking Insurance." I'm your host, Vittorio Magatti, and today, I'm delighted to be joined my guest, Natasha Pettet, director, and Bijal Patel associate director. Uniting Expert in Commercial Lines. Welcome.

**NATASHA PETTET:** Thanks, Vittorio. Hi there.

**BIJAL PATEL:** Thanks Vittorio, it's really nice to be here.

**VITTORIO MAGATTI:** Good. So, in today's episode, we are going to explore how you break the silence between underwriting, pricing, and portfolio managers. But first, let's find out a little bit more about our guest. So googling you, Tasha, it looks like you are related to somebody that loves the Peruvian cuisine. What do you think about?

**NATASHA PETTET:** Oh, Vittorio, I don't think that's me. I actually did a trip to Peru a few years ago and I have to admit there's-- they had roasted Guinea pig everywhere, and that's not really my idea of good cuisine. So I think there might be someone else. Very funny.

[LAUGHING]

**VITTORIO MAGATTI:** Clear. And Bijal a Google for you suggests that you are also a dentist or something similar. What do you think?

**BIJAL PATEL:** I actually love that. I started off doing medicine before I moved into actuarial science. So in an alternate life, I may have been a dentist. But I'm very happy being a pricing specialist in insurance instead.

**VITTORIO MAGATTI:** Super. So we are ready to start going in the right direction, just going through the main topic of these podcast, the silos between underwriting, pricing, and portfolio managers in commercial line. I have the first question for you. So, historically, the case underwriter the portfolio manager, and the pricing actuaries have all worked in silos informed by defriended assets. Why is that, and what is the impact?

**NATASHA PETTET:** Yeah, interesting, isn't it, Vittorio? You're absolutely right. So, historically,

underwriting, pricing, and portfolio management, they have all worked in silos. And I think one of the reasons that that might be is because traditionally, underwriting has been operated in the commercial loans market, at least, for longer. And I think historically, there's been a lot of emphasis on perhaps the strength of the business relationship between the underwriter and the broker.

And that has been a big influence in terms of underwriting judgments and acceptance. I think that's still true to some degree today. However, we have fast emerging technology and our understanding and evolution of data analytics has been increasing over the last few years. And we know the market has been intensely competitive in commercial launch for a long time. And I think insurers are really starting to understand how technology and analytics can give them a differentiation in the market.

And I think challenges in delivering underwriting performance traditionally, we're seeing commercial insurers invest more and more in ways to help improve their underwriting and pricing performance and have a much better understanding of portfolio performance and how to stay that performance.

VITTORIO MAGATTI: Many thanks. Bijal do you want to add something?

BIJAL PATEL: Yeah. So there are now increasing functions of both pricing and portfolio management independent from the underwriting function, but often they are working in silos. The pricing function has been quite prominent in the specialty market. However, in the mid-market, I think it's now growing to be a more increasingly prominent function.

And I think the impact of this is it's really unhelpful because it means there's different systems supporting them, data gets lost, and the different parties aren't able to use the analytics that each of them are building up within their functions.

And this means there's a loss of insight. So, there's a lot of insight that I could provide as the pricing specialist to Tasha that she's not getting from me because we're not sharing same data. We're not sharing the same analytics. And any portfolio analytics I do could be really helpful for Tasha to understand the current underwriting performance and the projected performance that she could then leverage in her work.

NATASHA PETTET: Yeah, completely. I completely agree with Bijal. And just to sort of add to what Bijal said there, that there is a lot in terms of data and systems that's prohibited this, I think, traditionally. But there's a people impact to this also. So I think closer collaboration of people, pricing experts and underwriters.

There's a lot of unique insights in pricing and risk assessment process. And I think starting to think about the problems that are being addressed, they're the same problems, but having different people looking at them in a multitude of different ways. I can only see that being a really valuable benefit going forward.

VITTORIO MAGATTI: Many thanks, Tasha and Bijal, for these answers. You say, over the last few years, we've started to see this historic model change. In what way is this changing? And what are we seeing as a result?

NATASHA PETTET: Yeah, that's a really interesting question, Vittorio. I think, pleasingly, we are seeing a rapid change in the market. So we have this ethos within Willis Towers Watson in ICT in the business that Bijal and I work in together, in that, actually, a unification of all of the experts in commercial lines that are responsible for delivering underwriting performance. This is really resonating as an ethos with our clients.

And just to add to that, those clients that we work with who already have this as part of their culture, typically, we see those clients as delivering some of the best sort of superior underwriting performance results that we see in the market. I don't think it's an accident that this is a part of their culture, this combination of pricing, portfolio management, and underwriting.

BIJAL PATEL: I agree, Tasha. And I also think that portfolio management is helping with distribution relationships. So brokers like to understand why. They like to have pricing on hand to explain the details and to help underwriters and brokers work together to come to a solution that's useful for all parties and enables the longevity of these relationships.

And where I've also seen it is portfolio management is helping insurers with their MGAs for increased oversight. So it's helping them understand MGA performance. And it's improving transparency. And shared analytics is helping the underwriters getting understanding of the portfolio performance quicker by working more closely with their pricing specialist colleagues.

VITTORIO MAGATTI: Fine. And what are the perceived or actual roadblocks that insurers are facing in trying to better connect those silos, so underwriter, portfolio manager, and pricing actuary, and what can insurers do about it?

NATASHA PETTET: Yeah. It's an interesting question, Vittorio. And I think, probably one of the perceived roadblocks is the technology. I think there is a perception by insurers that technology can prevent this breaking down of silos and better connection of underwriting, portfolio manager, and pricing actuary. And these experts, they operate independently today, not recognizing that technology has to support all of them and that they have highly specific individual requirements for each other.

So any technology has to be flexible enough to ensure that they do remain connected, at least from a data perspective, anyway, and maintaining the integrity of that data. But also ensuring that the technology is flexible enough to cater for their individual needs. Now, this is achievable. We know this. And, for too long, all of our experts have been grappling in their own way with fragmented, difficult processes, disparate systems, really common in the commercial lines industry, and a lack of good quality data.

So I think when insurers are choosing technology providers, then making sure those providers genuinely understand their business and the market problems, and then they can work with insurers to ensure that they're delivering solutions that are going to meet the needs of their experts, but also provide the senior stakeholders in the business with a combined, connected aerial view of the entire operation. I think that's critical.

BIJAL PATEL: I agree, Tasha. And one thing Tasha mentioned was a lack of good quality data. So there's a perceived lack of data that's inhibiting analytics because of a lack of homogeneous exposures. However, there's much more we can do with data. So there's a lack of good quality data because we're not capturing all the data.

As Tasha said, there's fragmented systems, and this is leading to inaccuracies in the data, inconsistencies in the data, and thus, not having all of the data that the underwriter has ended when they're doing that risk assessment. There's also a lack of granularity and transparency that's caused because of this lack of data that could be really helpful in underwriting and in portfolio management.

And then the last thing here, the last roadblock, is a lack of change in culture. So there really needs to be a cultural change of everyone working together to one objective, and how they can work together to achieve this one objective of optimizing business performance.

VITTORIO MAGATTI: Good. And now, speaking about the future, the last question for you. So how do you see all of this evolving over the next few years?

NATASHA PETTET: Yeah, I think, me and Bijal, we're going to be both quite aligned in our views here. The next few years are going to be really interesting for commercial lines insurance market. Genuinely, I believe insurers are already recognizing that actually diversity of thinking when it comes to delivering that all important underwriting performance is really crucial.

So, we're seeing a lot more interest and appetite in the area of technology and analytics for supporting commercial lines experts. And our clients, they're really understanding the

importance of getting the technology right, making-- it's a big investment. Making the right investment. And making sure that all of their systems and processes are supporting those commercial lines experts in being able to deliver on their roles. But also that it's enabling that much closer collaboration between their essential experts.

BIJAL PATEL: I agree with Tasha. I'm really excited about the next few years for commercial lines. I think we've got a huge opportunity here. One of the things I'm really excited about is shared analytics.

So pricing experts leveraging cleaner data, better quality data through data enrichment, for example, and then leveraging analytics on top of this good quality data. So machine learning algorithms to help you identify areas of opportunity or threat in your portfolio management, identify early warning indicators that you wouldn't have identified otherwise. And that leading to a speed in strategy changes from portfolio management.

So after you've identified an area of poor performance, the speed in which you remediate that area of poor performance can be really, really quick. So you're deploying those strategy changes both to your pricing models and to your case underwriter through underwriting rules really quickly. You can make these changes within 10 minutes rather than within 3 months or 6 months. And that really helps you to optimize your business performance.

So I think we're in a really exciting time right now where we have the opportunity to really change commercial lines at the moment, especially by bringing these different experts together and leveraging each other's specialties, leveraging each other's capabilities, to really improve the overall business performance.

VITTORIO MAGATTI: Tasha, Bijal, it was really a pleasure to have you as guest. It was very important, interesting for us to go through these silos, understanding the roadblocks and also try to understand what could be the next future for commercial line and all of these department and function that cooperate on these businesses. So many thanks for this.

NATASHA PETTET: Thank you so much for having us, Vittorio, and thank you for Bijal for joining us as well.

BIJAL PATEL: Thanks, Vittorio. Thanks, Tasha. It was a really nice conversation.

VITTORIO MAGATTI: Thank you, again, and to our audience for listening.

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