Insurance Times

22 July 2020 | By Clare Ruel

More to do for insurance industry analytics with changing risk landscape – Guidewire

The insurance industry has been met with "more complicated" challenges and a changing risk landscape.

With the London Market focusing on leveraging analytics to improve processes in the specialised risk marketplace – how far has the insurance industry really come?

This is the question Paul Mang, chief innovation officer at Guidewire Software, posed to the panel at the firm's webinar on 14 July *'Leading through change with analytics'.*

Mang explained that the challenges in the industry have become "more complicated" and because of this there is more to do to reap the full benefits of investments.

"As a sector, are we getting more efficient? Indemnity pay-outs for property and casualty insurance globally is still in the 50% range," he said. "This means that we need 50% of every premium dollar to acquire customers, administer policies, judicate claims and manage capital. It has been like this for decades and there does not seem to have been a step change in efficiency. But things are in motion and there is potential for a real change in the future."

Changing landscape

One of the trickiest lines to apply analytics to is cyber insurance**.**

Mang highlighted that cyber particularly will be difficult to tackle as "the patterns of the past cannot predict the future" and it is ever changing.

Despite the landscape changing, Daljitt Barn, head of Tokio Marine's Innovation Lab, said that five years ago cyber insurance was 85-90% a US market.

"I think that the market in three years' time might be 55% US domicile and 45% rest of the world – I suppose the real explosion could be Europe, but it's taking its time," he said.

Currently, however, Barn said it is Asia that is seeing the most growth.

Automation
Meanwhile, Renaissance Re chief risk officer Ian Branagan said that the firm has automated some of the more administrative parts of underwriting.

“Working with Guidewire we have been able to understand the inherent risk within our portfolios,” said Barn. Branagan gave US flood risk as an examplewhere analytics have been used to deliver real time pricing. He said that Renaissance Re has been investing in marine but stressed it is “not a one size fits all”.

Subscribers read more

Could Google’s chatbot overhaul the insurance market?