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How can Specialty line carriers
leverage technology to
exponentially grow with speed
and flexibility of operations?

Q&A with
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Tony Tarquini

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Tony Tarquini

Today we are going to talk about effectively leveraging exponential technology to enhance growth, speed and flexibility in Specialty lines. So I'm very pleased to be able to invite Sandeep Haridas, who is the Business Head, North America at IntellectAI. So let's start with introducing yourself a little bit, tell us about your history and your background in insurance. When we spoke previously, you told us a little bit about the fact that you have been on both sides - the insurer side and the IT vendor side - which I think is an interesting mixture we do not see very often.

Sandeep

I have been in the industry for about 20 years with Tier 1 carriers where I have learned a lot. I have been on the technology side for 10 years and then on the underwriting side for 10 years. I've been on the carrier side. Now I'm on the provider side. So it's been a very interesting journey for me. I have had the opportunity to learn the various facets of this industry and now I'm trying to take everything that I have learnt and share with organizations across this industry.

Tony Tarquini

The insurance industry is a great industry, and you've clearly got a lot of experience from different parts of the business which I think we can bring to bear in this discussion.

So let's start with a nice easy question.

What do you see as the major difference in terms of systems and processes between General and Specialty lines?

Sandeep

So, the differences in system and process stemmed mainly from the differences in business models. And for the most part, the business model is fundamentally different for General and Specialty lines.

It is possible that there will be a lot of similarities between Admitted property or a Proprietary Property product that you sell on an admitted basis versus a Specialty Proprietary product where you are doing a shared layer or participating in larger programs. Underwriting at the end of the day is underwriting, right? It truly is about assessing risk, building a relationship with the clients and with the Brokers and then driving/setting the right price, the right terms and conditions and presenting it right. So that is what underwriting really is about.

And so the fundamentals of an underwriting process do not necessarily change, but the volume, the veracity, the variety of submissions/ data that you receive probably in Specialty insurance is lower actually or different than what you would see in the Property & Casualty space. So if you are a middle market underwriter writing \$150,000 to 1.5 million in guaranteed cost for Property & Casualty, you see a lot more variety.

You probably start off your day with say a shoe manufacturer and then 15 minutes later you are looking at a plumbing operation. Another 15 minutes later you are looking at General Liability and Property for a janitorial services organization. So, your world changes every 15 minutes.

In Specialty, however, if you are writing a program for a nurses association like Emergency Nursing Orientation (ENO), you are doing that day in, day out, right? But the volume of submissions that you are dealing with is very different. The timelines that you have to respond within are different.

When I was an underwriter in the P&C space, I never got a submission that said quote due by the EOD today. And if I did, I knew where it belonged, right? As underwriters we know where it belongs. If someone sends you something at 9:00 am and says, quote due by the end of day,

please do not touch it.

On the Specialty side, if someone says quote you by the end of day you say, "Wow! I have the whole day. Very generous." That's the difference.

To summarize, I would say the biggest differences are the variety of data that you process, the data points that you gather insight from, the considerations that are taken into account, the timelines your underwriters work with, the business rules you set yourself and basically the workflow you design for your organization.

Tony Tarquini

So what would you specifically be looking for from a SaaS platform technology? Apart from what you just described there.

Sandeep

So the first challenge is lack of data. You know we were talking to an established Specialty MGA. They had about \$87M - \$88M in written premium. And so I asked them about their Quote Ratios. And their response was, "We do not calculate that. I mean, we try to, but we do not have a very reliable number." Now I know for a fact that you can't continue running your business efficiently without calculating your Quote Ratio is. It becomes a challenge, right?

So, processing both internal data and external data accurately and reliably is definitely an on-going challenge for some Specialty carriers.

In other instances data is available in abundance, but what's really lacking are relevant, contextual and actionable insights from this abundance of data.

So how do you convert that data into insights? A lot of Specialty organizations start off with one, two or three underwriters.

Verbatim, "Let's start a new product. Let's start a lawyer's liability, professional liability product and have two underwriters work within this space."

And so when you have two underwriters doing something like this, processes tend to evolve organically. You are not thinking about systems, and you are not thinking about underwriting discipline and Q&A. Your priorities of effort and resources tend to start with which Brokers are we going to target and what market are we going to go after.

So in most instances, the whole approach of Specialty organizations is to start, then sustain and continue because there is enough profitability to show on the books. They are not necessarily thinking about the next step towards

'exponential growth' or 'accelerated growth'.

Usually, they hit a point, let's say \$50M, \$100M or \$150M in premium and now they're challenged to go to \$300M. That's when they think about it and that becomes a little bit more difficult for Specialty carriers.

In contrast, if you are in Property & Casualty, you have to follow a regulation, you do not have flexibility in form, you do not have flexibility in form rates. You automatically start thinking in a very disciplined manner sometimes and that I think is a key challenge in Specialty insurance.



Tony Tarquini

So, you talked about data there and frankly my view is data is completely useless unless you get insight from the data and the insight is useless unless you take action from it.

Do you think in the Specialty lines insurers are getting better at helping or even allowing themselves to be driven by the insight they get from the data and making the decisions from there rather than rely on individual experience, “I have been doing this for 25 years. I know what I’m doing. I can do it.”

Sandeep

Not yet, because what is happening is a lot of Specialty organizations, mainly MGAs, the alternative capacity providers then you have fronting carriers, you have reinsurers or a set of reinsurers and alternative capital providers.

So you basically end up with a scenario where there are too many cooks in the kitchen. Then the question begs, whose underwriting guidance and guidelines are you following? Sometimes you end up focusing more on distribution and less on writing. So you just work with the data that you have.

Comparatively, I think the Property & Casualty space has proven to be a lot more mature in

terms of turning that data into insights and using those insights in a very disciplined manner. But I do think Specialty carriers are catching up.

Tony Tarquini

If you think about Specialty lines, they tend to be siloed islands inside any insurance company.

Tell us about the technology implications of a Specialty lines underwriting operation, thinking about what they’re doing in their little silo at a tactical level versus what the company needs to think about at a strategic level across all the lines that they’ve got. If you let everybody make their own decisions about technology, you end up in anarchy, but at the same time, you’ve got to be able to cater for those differences.

Sandeep

So it’s a very fine balance, between the ‘need for speed’ and ‘driving towards digitization of your lines and your process’ versus ‘taking an organizational look at things now’.

So let’s take a hypothetical organization. Let’s say they make \$600M in overall gross return premium. Let’s say it’s a Specialty only

organization, but writes property and let's say General Liability, but on an admitted basis only.

So this particular Specialty organization, if they wanted to take a step back and look at everything and drive a technology evaluation process, that technology evaluation process might take three months in itself. It would take approximately another three months to get started with requirements and then another three months to roll-out the first product.

There are business lines where you have a 30% loss ratio, but do you really want to wait that long to double that book which is running not only as a 30% loss ratio but a 30% expense ratio as well, trying to see if you can do something in both of those areas.

It's a fine balance to have a strong organizational culture where you can get started very quickly and make those decisions faster. It becomes easy for the organization to make that decision at that level. But usually it comes to a point where organizations start off with one line of business, prove the value-gain from the technology, and then go back to the organizational level and apply it across other business lines.

Tony Tarquini

What role do you think Software as a Service (SaaS) and Platform as a Service (PaaS) have in the Specialty lines area?

Sandeep

Software as a Services (SaaS) I think is the way of the future. I mean if you truly are thinking about ordering a CD that can be installed on a computer in your data center then functionally redistributed, then that's probably not the right thing to do in today's day and age and that is definitely not going to set you up for the future. You will begin to face challenges like Scalability, real-time changes and updates, integration challenges both upstream and downstream to newer systems etc.

So SaaS is the answer and SaaS from 3 perspectives, Composable, Contextual, Cloud-native; those are the 3 C's that you have to remember in any vendor that you are evaluating.

The SaaS platform has to offer something that is composable; meaning if you need 27 services from that architecture but you do not need the other 13, you do not wish to pay for the other 13, you just use those 27. So, that is the composable part.

Contextual meaning it should be purpose-built for insurance. It can't be a general AI or a general document reader that reads any PDF. You'll get vendors that say, "Well sure it can read an ACORD form. But, it's not going to be contextual or consumable. It needs to be purpose-built for insurance and it needs to be cloud-native so that it can continuously be updated by the SaaS provider.

It also can't be something that was built outside of the cloud and pushed into the cloud. Because then you face scalability issues it has to be born in the cloud.

Tony Tarquini

So what would you specifically be looking for from a SaaS platform technology? Apart from what you just described there.

Sandeep

So the first thing would be a proven track record of delivery. A provider that has had a sustained level of delivery and not just at your level. Ideally you want a solution provider that can, has or is supporting carriers or MGAs of all sizes and needs. A solution that is built architecturally in a customizable manner.

Let's take the example of that \$600M Specialty carrier or an MGA.

You might want to ask them:

- Have you delivered to Specialty carriers with over a billion dollars?
- Have you worked with Specialty carriers that aren't Tier 1
- Have you enabled a \$20M MGA or a small partner and given them enough attention to empower them to double or triple their revenue in less than a year?

So you need to find out whether they have the balance of delivery and provide them with the ability to scale. Scalability is a problem where you could have done the first or the second product very well, but can you do the thirteenth or fourteenth or twenty sixth or thirtieth product.

Because as a Specialty carrier you are going to keep introducing more and more products and if you make it easier to do business with them, your brokers are going to keep coming back to you. And the first time you say no and say I do not want to do that and if you do not have a good reason and say my technology partner won't come along with me. Then you are in trouble.

Tony Tarquini

So that's looking at it from the lines of business. What about one technology strategy for both customer experience and improvements in business performance? Do you think there's one applicative strategy/ solution that can deal with both?

Sandeep

To me those two things cannot be separate. It has to be joined at the hip. You cannot drive internal business improvement by saying, "I want to have profitable growth."

By the way, profitable growth is such a simple term, right? But it involves so much more, so your approach needs to be so much more than just either one.

You want to build for the twenty year olds that are graduating college today, who will not be ok with entering the same insured and Broker information on five different Excel spreadsheets. You might wish that they would, but they won't. I can guarantee you that even in my forties, I probably won't do that. So there are definitely various aspects that you need to think about.

How do I attract the best talent and what technology allows me to do that?

So it's not just customer experience, and business performance that organizations need to think about, it's also employee experience that the technology needs to drive in addition to customer experience.

If Brokers or Agents do not find it easy to work with your internal underwriting sophistication, you are not going to get good opportunities coming in the pipeline. And what you would be getting would be adversely selected against.

Tony Tarquini

So it doesn't matter how great you think you are, if your customers and your employees and everybody else doesn't think you are any good then then it's not a good place to be in.

Sandeep

Yes. Absolutely. Been there, we have learnt from those mistakes.



Tony Tarquini

Yeah and this brings me back to Denny's point – 'Go where the customer is, understand what the customer wants and make sure that you are reading that back into the organization.' We're not yet the best at that as an industry, something we probably need to concentrate on an awful lot more.

Sandeep

And there's a reason for that, Tony. When you sit down in a panel of Brokers and you ask them, 'What's going on and what's on their mind and how different each of their approaches are? You notice a variety of responses. A lot of Brokers take pride in the fact that they underwrite accounts up front. And good Brokers absolutely do that. But when it comes to the bottom line, Brokers will say we can't say no to someone, anyone who walks in the door whether it is a bottled water manufacturer or a nuclear power plant, we have to say yes. You have to say yes to all of that.

Carriers generally are perceived to start with no. So when you build an organization and a culture that evolves where you are quoting 18% of what comes in and winning 10% of that, your mindset is slightly different. Customer experience and employee experience do not necessarily come up to the top of your priorities

because you are sometimes struggling with basic profitability.

Tony Tarquini

Yes, absolutely. Sandeep, you've been around the industry in lots of different roles, and you've seen it from all different perspectives. What we've got here is an audience who wants to be able to take things away and use them in their daily lives and working lives when they leave this conference.

If there was one thing you would want them to remember or take away and potentially use on a day-to-day basis what would it be?

Sandeep

Whenever we talk about emerging technologies or adoption of it, it usually proliferates into a comparison of Specialty and P&C. We try to pit them against each other in some cases, and we really shouldn't.

But if we did for argument sake, Property & Casualty providers are a lot further ahead in terms of technology adoption today. Their systems could be 20 years old, which still tells you that they invested in technology 20 years ago. So yes, they may have mainframe

systems. Yes, they may have legacy terminals that they work with, that's OK. But they have always started with thinking about technology as a primary enabler into their business and operations.

Specialty carriers do not necessarily do that. And there's a reason for that because the flexibility that you get out of Excel is not the flexibility that you get out of a professional rating engine that takes 4 weeks to update. Four weeks! The market would have already moved on and you've lost your business.

I understand that and the insurtech industry in general understands that. But what I want the Specialty organizations and the Specialty businesses to understand is that technologies and solutions exponentially improved in the last 5 years. Take a fresh look. There are newer technologies, no code and low code platforms that are purpose-built only for insurance. Purpose-built only for Specialty insurance. And, that is where you start taking a look at artificial intelligence. And I do not mean general purpose AI but insurance specific AI.

Yes, it can read those carrier specifications.

Yes, it can read those Broker specifications.

Yes, it has proven to reduce overheads,

exponentially not just speed but quality of your underwriting process.

Yes, the data can provide reliable and actionable insights.

So, explore these solutions. Request product demos. If you think it's right for you, test it out. Think about the technology investments in the same way that you would think about investing in your own talent.

Tony Tarquini

Excellent. Well, it's a really good thing to take away. New technologies that have come along are definitely going to be able to serve underwriting so much better than some of the technologies that we've had in the past.

Thanks for that. Some really great insights there and hopefully that's helped to educate our audience a little bit more on what we should be doing. Thank you very much.

Sandeep

Thank you very much for the opportunity.

About IntellectAI

IntellectAI offers a suite of contemporary artificial intelligence products and data insights triangulated from thousands of sources that take a strategic approach to tackling the biggest challenges for the insurance and wealth industries. Our underlying technology powers sophistication with simplicity ensuring an engaging and insightful user journey.

Our AI cloud native products are known to address the most complex business objectives with the highest accuracy of outcome. Our skilled technical experts and data scientists seamlessly augment our customer teams to accelerate their transformation journey, easily adapting as business models and technology evolves.

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