



The need for real-time risk data in Commercial Property Insurance

Survey Results

2021

intelligentai.co.uk

This survey was conducted by
Insurance Post on behalf of
Intelligent AI.

Results of interviews with 82
leading insurers' and brokers.

Introduction

“Technology and data-enabled solutions are creating the tailwinds for change in the commercial property insurance market.

Insurers have a tremendous opportunity to rethink how they serve their customers”

The findings have been split into four distinct sections as follows:

- 1.** What problems are most impacting the commercial property insurance ecosystem today?
- 2.** How is the commercial property insurance and risk industry using new technology and real time data today to try and address these challenges?
- 3.** What are the potential benefits of using new technology and real time data to improve decision making and customer experience?
- 4.** What are the biggest barriers that are holding back adoption of new technology?

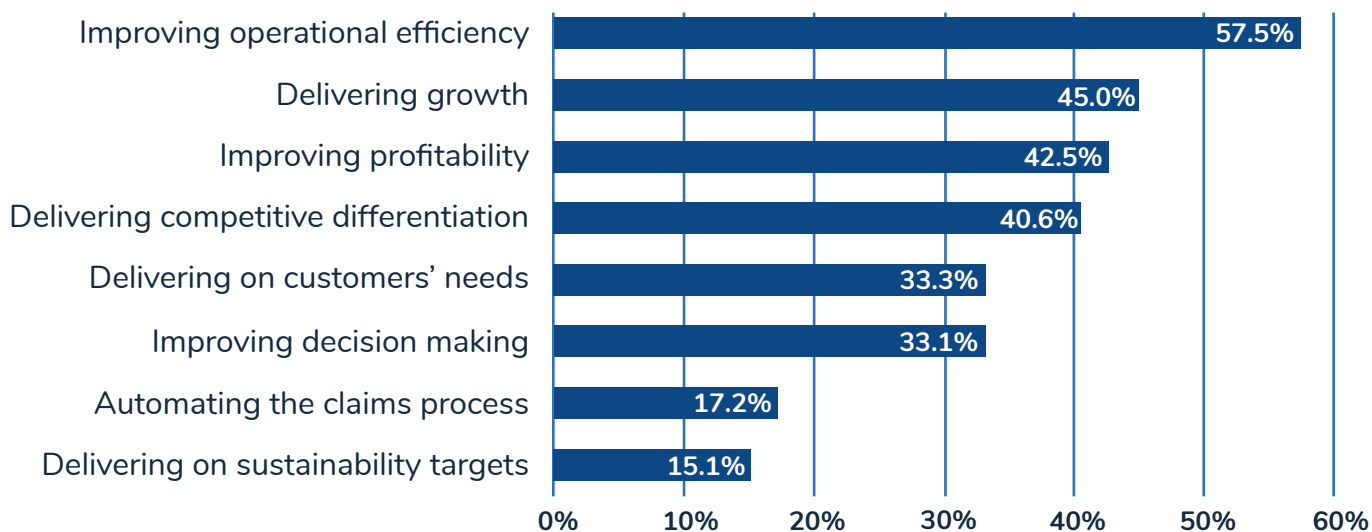
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Key Survey Findings



What are the big challenges impacting the commercial property insurance ecosystem in 2021?

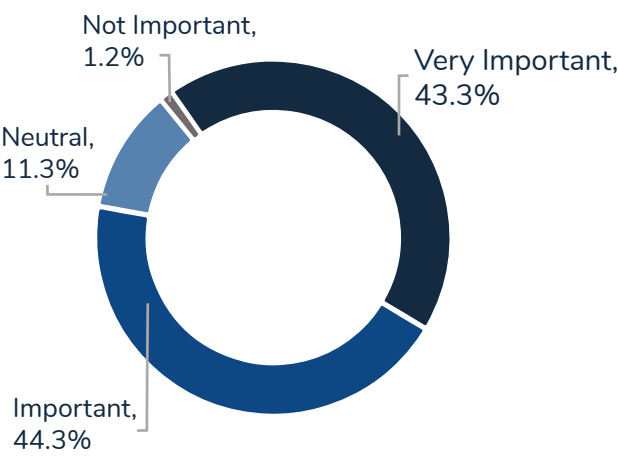


It is a matter of public record that commercial property underwriting has been a loss making endeavour for at least the last 5 years, with Lloyds of London reporting that on £50Bn of premiums the market had lost over £4.7Bn, which is bad news for insurers and customers alike with insurance pricing increasing in response to the mounting losses.

We can see from the graph above that there is a big drive to improve operational efficiency, drive growth and profitability, and reduce costs whilst improving customer experience and delivering competitive advantage in the marketplace. The big question is how? Our survey asked whether new technology is already being adopted to address these needs.

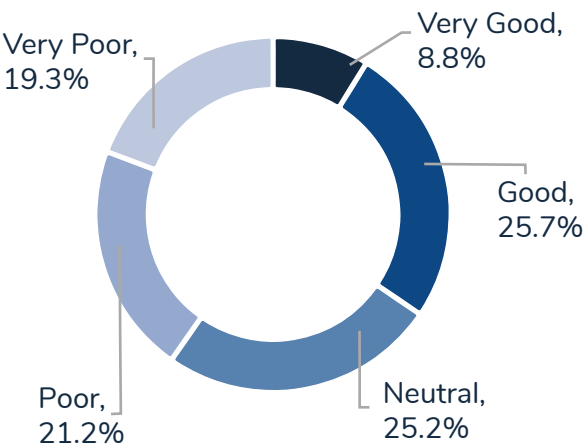
How is the commercial property insurance and risk industry using new technology and real time data to try and address these challenges?

How important is real-time data to your business?



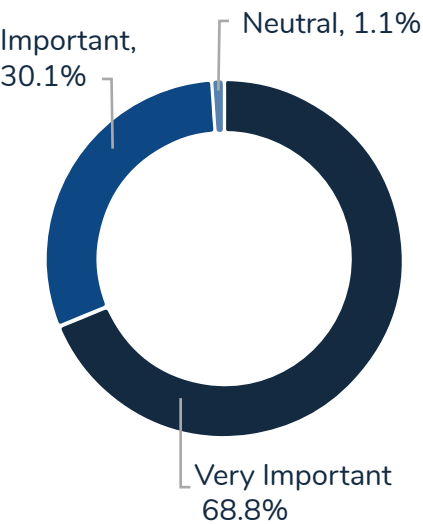
87.6% of insurer and broker respondents stated that real-time data is very important or important to their business. However, only 34.5% feel that their business is very good or good at delivering real-time data to benefit their employees, partners and customers.

How good are you today at delivering real-time data to your partners and customers?



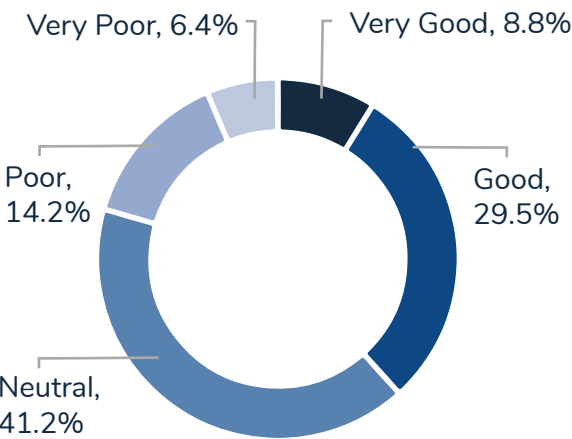
The survey has identified a big gap between intent and reality in the use of new technology and real time data.

How important is accurate and detailed information on commercial property?



98.9% of insurer and broker respondents stated that having accurate and detailed information on commercial property would be very important or important for their business.

How good are you at achieving this today?

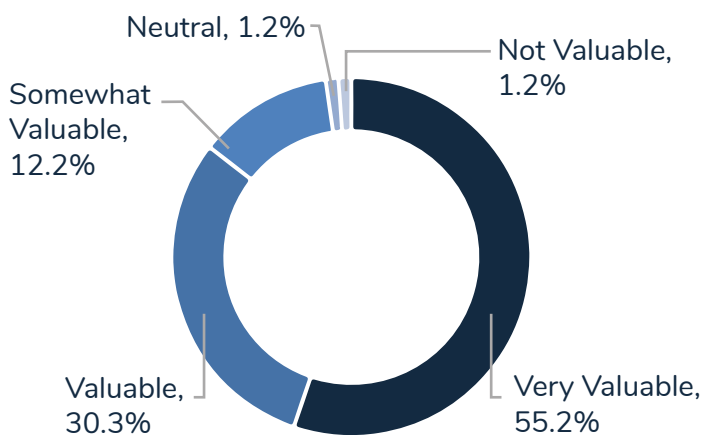


However, the majority struggle to achieve this with only 38.3% saying that they are very good or good when it comes to delivering accurate commercial property data.

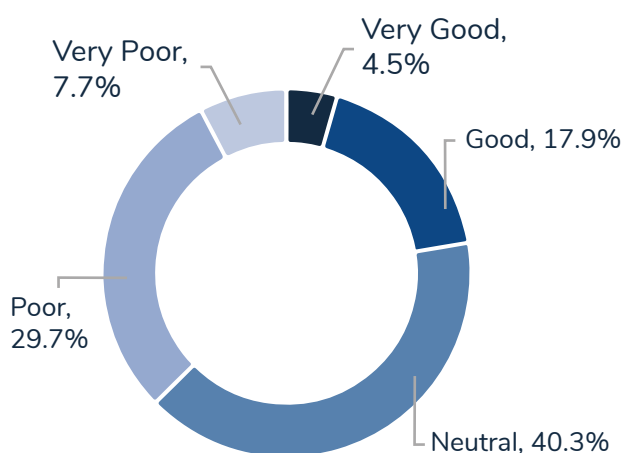
The drive for Digital Twins & Location Intelligent for commercial insurance

Insurers are striving to move from only surveying 1 in 10 commercial properties and having little detailed data of the other 90% of the portfolio, to gathering detailed location intelligence from open data, natural catastrophe data, satellite data, IoT data and AI extraction of data from risk reports, to create near real-time digital twins of the risks across 100% of their portfolios, in order to price more competitively and identify risks far more accurately.

How valuable would having real-time Digital Twins of Risk on 100% of your property portfolio?



How good are you at achieving this today?



85.5% of insurers and broker respondents stated that Digital Twins of Risk are very valuable or valuable, whereas only 22.4% of insurers and brokers stated they are very good or good at delivering digital twins today.

Intelligent AI has recently undertaken a project for a leading U.S. insurer to build digital twins of 20,000 global locations, including global ports, mines, automotive plants, film studios, retail locations and investment property portfolios.

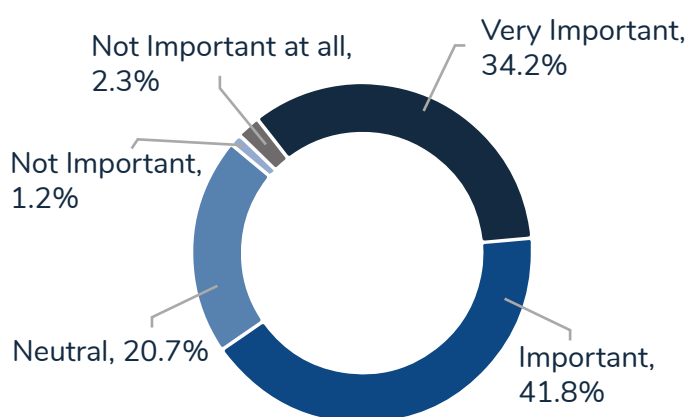
Going from accurate data on less than 30% of the portfolio, to accurate data on 100% of the portfolio has enabled this insurer to more quickly and accurately price risk, win global business and to deliver much greater risk and underwriting insight for their clients.

We have also been able to deliver accurate latitude and longitude address data for every property to provide laser accurate location intelligence on construction, occupancy, protections and external environmental insight together with 3D mapping and satellite image intelligence.

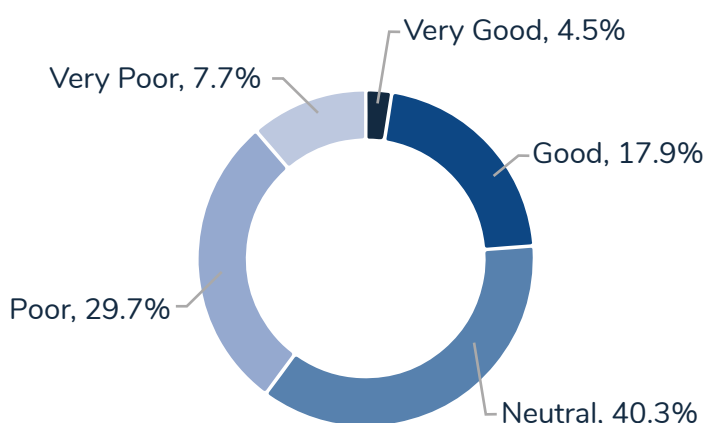
“Accurate data on 100% of the portfolio has enabled this insurer to more quickly and accurately price risk.”

Looking to the next phase of location intelligence data, 76% of insurer and broker respondents stated that IoT (Internet of Things) sensor data is either very important or important in helping them improve their risk knowledge both within commercial properties (e.g. real-time data from fire sensors or from pressure sensors) and also around the property (e.g. near real-time data on temperature, wind, river flow etc). However, only 22.4% of insurers and brokers feel they are very good or good at using sensor data today.

How important is the use of IoT sensor data in improving risk management in next 5 years?



How good are you at using IoT sensor data today?

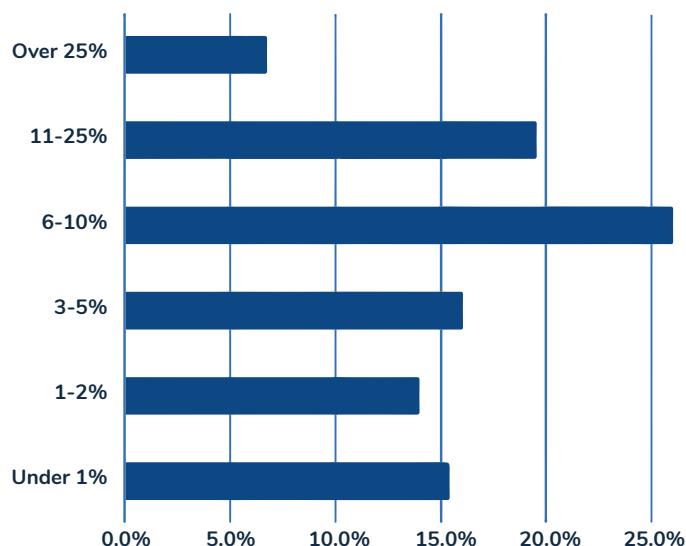


It is clear that the insurance industry is currently struggling to use real time data in a fully meaningful way today, either in the underwriting process or to support risk management and risk mitigation initiatives.

Insurers currently rely far too much on traditional manual or annual processes to help them understand risk, such as physical site visits by risk engineers to upwards of 10% of the portfolio and underwrite with minimal data on the rest of the portfolio.

It is also clear that high operational costs are not sustainable and there is an urgent need to automate processes, apply artificial intelligence (AI) to unlock data insight, and to adopt digital twins to help insurers to move to real-time location intelligence and to significantly lower operational costs.

What % of commercial property sites in your portfolio receive a physical property risk survey each year?



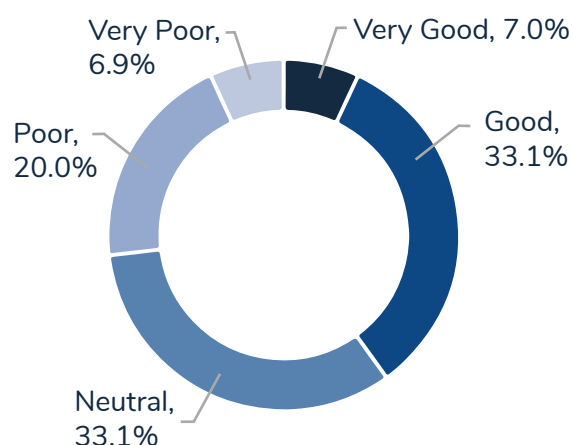
Our survey has found that only less than 5% of commercial properties are physically surveyed by 45% of insurers and brokers, with a further 28% surveying up to 10% of sites. Today only 6.8% of insurers survey over 25% of sites.

Additionally, previous research undertaken by Intelligent AI from over 5,000 risk engineering visits showed that for many insurers less than 1 in 7 major risks identified through the visits are resolved within 5 years.

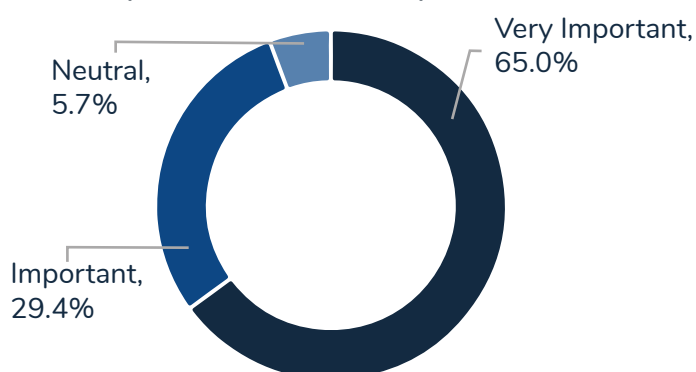
The real potential of AI and Digital Twins for the insurance industry is not just in lowering operational costs, but also in freeing up risk managers and underwriters to focus far more time to support client in delivering risk mitigation programmes to increase the clients business continuity and lower claims.

Over 94% of insurers and brokers stated that it is very important or important to ensure risk mitigations are completed by their clients. Risk insight and risk mitigation has always been the key to profitable underwriting for insurers. It is therefore alarming that only 7% feel they are very good at driving risk mitigation programmes, with a further 33.1% saying they are good at this key task.

How good are you at driving completion of risk mitigations today?



How important is ensuring that 100% of risk improvements are completed?



What are the benefits of new technology and real-time data for managing commercial property risk?

The good news is that the insurance industry is recognising the opportunity to build competitive advantage by translating the mass of available data into actionable insights, leading to better decision making, better and more profitable underwriting and to lowering operational expenses, with the goal of improving both the customer experience and ultimately, reduce the total cost of risk. The survey addressed these potential benefits as highlighted in the table to the right.

What do you see as the benefits of real-time data sharing?



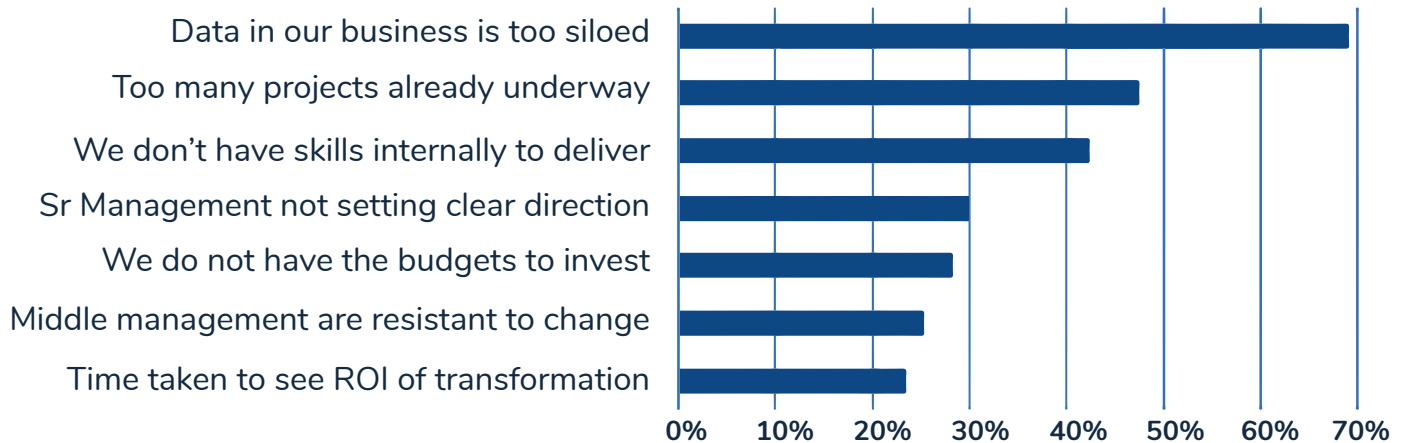
The challenges to adopting innovative new technology and real time data?

In order to accelerate the adoption of real-time data, digital twins, AI and IoT, we need to overcome some immediate barriers as outlined in the chart below.

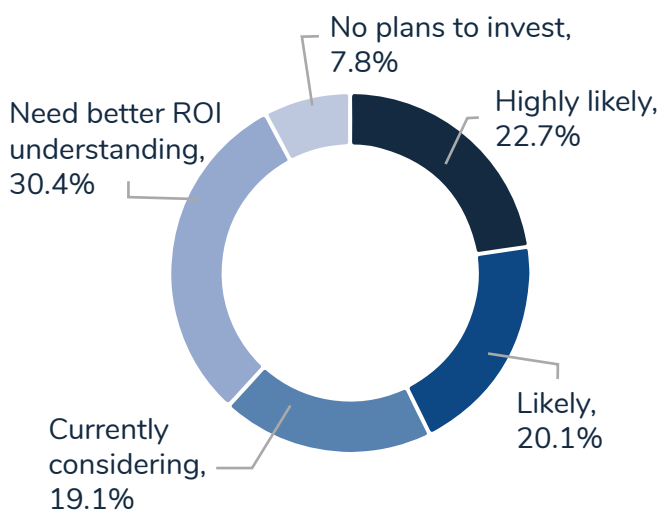
Siloed data and lack of internal skills are amongst the key barriers.



What do you see as the challenges to adoption of innovation and real-time data in your business?



How likely are you to invest in improved real-time data in the next 12 months to deliver better services and/or lower costs?



These findings highlight both the challenge and the opportunity for the insurance and risk management community. It is very positive to see that over 60% of insurers and brokers are already highly likely, likely or are currently considering investing in real-time data, AI and digital twins in the next 12 months as we build back better from the pandemic.

Intelligent AI are on hand to help insurers to overcome these barriers and have been funded by Innovate UK to help insurers to accelerate much needed innovation.

Survey Conclusions

From the survey, we identified the following themes around real-time data and digital twins:



1

Digital Twins of risk have huge potential to drive new insights into commercial property risk and underwriting. New sources of data can be extracted to help modernize commercial property underwriting and provide greater value to customers seeking to buy commercial property cover.

4

There will always be challenges that insurer and brokers face in adoption of any new technology.

However, our survey has demonstrated that current risk management and underwriting processes rely too much on fragmented and manual data gathering that is leading to high losses in commercial property underwriting today.

2

The real-time data provides the opportunity to drive proactive risk management, prevent losses and enable the competitive underwriting of risks, based upon a forward looking view of risk.

However, it was really encouraging to see that nearly 2/3rds of those surveyed are already looking to invest in real-time data and digital twins of risk and that the majority of the remaining 1/3rd are investigating the return on investment.

3

Customers already using real-time location intelligence and IoT in property underwriting are generating immediate financial returns and quantifiable benefits such as more accurate risk pricing and lower claims and losses. Extending those benefits with real-time data driven risk management and underwriting will deliver major competitive advantage to insurers and brokers.

5

It is clear that insurers see immediate advantages to adopting AI and digital twins to drive smarter underwriting and risk management. This is leading to better decision making and lower operating costs.

iAi Intelligent AI

About Intelligent AI

Intelligent AI is focused on helping to deliver the data transformation shift now underway.

For insurers, brokers and customers, we provide enhanced understanding of risk, better decision making and improved client journeys through exceptional data insight and real-time document processing using AI, satellite image analysis, data analytics, online risk survey tools and Digital Twins.



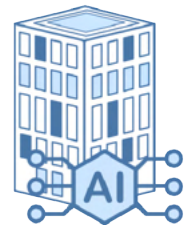
Intelligent Risk Management



AI Risk Report Reading



Online Risk Surveys



Digital Twins of Risk

Benefits for insurer

- More accurate risk pricing
- Lower cost reinsurance
- 100% portfolio coverage
- 360° view of risk
- Lower claims & operating costs

Benefits for broker

- Gain lower premiums for customers
- Help customers to lower risks
- Parametric claims management
- Real-time risk data
- New AI insurance products

Benefits for customer

- Proactive risk mitigation
- Improve Health & Safety
- Lower insurance costs
- Benchmark risk across sites
- Reduce business interruption

Intelligent AI is working with University of Exeter, The Digital Catapult and The Alan Turing Institute.

Intelligent AI is a consortium member of a £2m Innovate UK-funded 'KnowRisk' project that brings together data and deep domain expertise from Insurance, Legal, Audit and Supply Chain to revolutionise global risk management.

This survey was conducted by Insurance Post on behalf of Intelligent AI.

Discover the benefits of working with Intelligent AI

To find out more about our products or to book a consultation, please visit intelligentai.co.uk or email info@intelligentai.co.uk

List of Survey Respondents

These published results show the responses from 82 leading insurance companies and brokers including:

Ageas Insurance

AIG

Allianz

Aon

Aviva

AXA XL

Bruce Stevenson Brokers

Covea

D L Moore Insurance

Direct Line Group

Ecclesiastical

HDI Global UK

Hiscox

Insurelink Limited

IRCS Insurance Brokers

Jim Kelly & Co Insurance

Marsh Commercial

Morrison Edwards Brokers

Munich Re

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Willis Towers Watson

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Zurich



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