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The Art of Data Integration

By John Dunn

Integrating data in the underwriting process is nothing new, but how and when to use the data continues to evolve. Long ago, underwriters started manually finding and requesting data to further investigate risks, and various data was requested on a batch basis for renewals or new business. Today, data is used to underwrite at the point of quote. “Data has changed the nature of underwriting a risk,” said Richard Collier, senior vice president of analytics company Inovatus and an industry veteran of nearly 40 years, said.

The industry is fully aware of and uses data like credit scores, loss reports, additional driver and vehicle data, motor vehicle reports, protection class, and traditional replacement cost tools. However, the list of data that can be used at the point of quote or the point of application continues to grow to include various “distance-to” solutions, hail and tornado frequency scores, fire department data, building characteristics, and more. And insurers can use systems instead of manual labor for various mapping needs, including assigning territories. Good systems result in more correct risk placement.

“Generally, it has been found that ten to fifteen percent of territories are coded incorrectly. Typically, errors favor the insured not the insurer,” said Dan Munson, founder and vice president of Risk Meter, an online company that helps those in the insurance industry obtain online automated property risk reports. “We just did a pilot for a customer in Ohio, where rating territories are complicated. We found a thirty-four percent error rate.”

Auto writers in particular can use public data and models to determine the likelihood of fraud or even to ask additional questions to ensure there isn’t fraud.

“Carriers need to use modern, flexible quoting, rating, application, and underwriting solutions to take full advantage of the choices they now have with data integration. The

competitive landscape demands this today," said **David Mellor**, CEO and managing partner of insurance software company **Priority Data**.

The flexibility to order any type of data at any point is a key to pricing risks competitively in today's marketplace. The limited functionality of legacy systems can restrict what data can be used, how it can be used, and when it can be used.

"Data allows for underwriting rules to be moved right to the agent's desktop," explained Collier, who went on to say that underwriting discrepancies can be pushed to the agent's desktop and cancellation costs can be saved. To take full advantage of the data available, insurers need systems that allow this sort of interaction with the data.

There are multiple advantages of using data within a system to underwrite earlier in the sales process. "Some segments went from having underwriters review one hundred percent of the risks to reviewing closer to five percent," said Collier, who also explained that fraud-detection models and the data that feeds them ensure that agents and insureds aren't gaming the system.

"Data has always been important to the industry, but, now more than ever, having systems that can properly use timely data is imperative," said Mellor. "The availability of superior data integration has grown exponentially in my thirteen years in the industry."

It doesn't matter if a company has $5 million, $500 million, or $1 billion in written premium, modern systems allow companies to integrate data to compete in this very competitive personal lines market. Not exploring these options for particular needs may cause companies to suffer adverse selection and poor underwriting performance in the long run.

John Dunn is the director of business development for data entry and information processing consulting company Priority Data. He can be reached at jdunn@pdomaha.com.