

Accelerating Performance

Risk management systems are taking on a power and prominence that were previously unimaginable.

By Alex Wright



Risk management systems, boosted by AI, are performing at a level not seen before.

Risk management systems have improved insurance processes beyond recognition over the past decade.

Whether it's deploying them to track policy issuance or assisting in claims management, or any number of administrative functions, they have proved to be a game-changer for brokers, carriers and insureds alike.

And thanks to significant investment and advances in automation, artificial intelligence (AI) and machine learning (ML), a new wave of smart technology is taking risk management systems (RMS) to a whole new level.

This new breed of RMS is providing risk managers and insurance professionals with a broader view of exposures, assets and valuations, while enabling them to mitigate against emerging risks and to control losses much more effectively.

"Artificial intelligence and machine learning are significantly transforming risk management and insurance practices, offering unparalleled advantages in understanding, managing and transferring risk," said Travis MacMillian, president, Americas at Xceedance.

"These technologies, while new to the insurance ecosystem, are changing daily with an increased ability to impact the risk management process and they contribute in numerous ways such as: enhanced risk assessment and prediction; improved efficiency in claims processing; personalized policy offerings; dynamic risk management; advanced data analytics for risk mitigation; regulatory compliance and reporting; and customer experience and interaction."

However, as businesses are undergoing accelerated digital transformation and given the ever-evolving nature of risk, these systems need to keep pace to ensure that they continue to provide the best solution.

The biggest driver of this technological revolution is AI, with AI technologies expected to add up to \$1.1 trillion in potential annual value for the global insurance industry, according to McKinsey. Essentially, the technology can be used to make workflow processes far quicker, and more efficient and cost-effective, as well as providing more accurate and insightful data analytics.

Incorporating AI and machine learning into insurance processes can also improve an insured's overall understanding of its asset values, enabling the company concerned to make more informed decisions about its coverage, risk management and financial planning.

To this end, the technology can be used in a range of ways, including automated valuation models, predictive analytics, portfolio optimization, fraud detection, natural language processing, market intelligence, personalized risk assessments, financial planning and forecasting, and continuous monitoring.



"Artificial intelligence and machine learning are significantly transforming risk management and insurance practices, offering unparalleled advantages in understanding, managing and transferring risk."

— Travis MacMillian, president, Americas at Xceedance

By streamlining the entire pricing and underwriting ecosystem, digital tools can enable actuaries to build, deploy and refine their models in a matter of hours and days rather than weeks or even months. Through eliminating the need for rekeying, they can reduce binding times by up to half, allowing underwriters to respond faster to brokers and focus more on value-added work. They can also ensure more robust governance, including automated testing and built-in peer review processes.

RISK MITIGATION AND MANAGEMENT

AI and data science is enabling vast improvements in risk mitigation and management. By using the technology to quickly and accurately assess risks and better predict outcomes, it has become an invaluable tool for risk managers.

But in order to be effective, algorithms need to be correctly trained on the relevant data sets. That is particularly important when dealing

SUMMARY

- **Artificial intelligence is** supercharging the performance of risk management systems.
- **One key function** of a risk management system is identifying network breach threats.
- **Better pricing decisions** and workflow improvement are additional traits of good RMS.



DIVERSE SPECIALTIES, ALL GUIDED BY A SINGULAR FOCUS: YOU.

Rooted in a decentralized model, the specialists in each of our subsidiaries operate autonomously, yet are united by a shared vision and commitment to long-term strategies. Old Republic General Insurance Group is ever-adapting—enhancing our specialties, nurturing our partnerships, and honing our undivided attention on our paramount concern: **our customers.**

COMMERCIAL AUTO | WORKERS' COMPENSATION | PROPERTY | GENERAL LIABILITY | OTHER SPECIALTY COVERAGES

[orgig.com](https://www.orgig.com)



OLD REPUBLIC INSURANCE GROUP

Our companies deliver
specialized expertise.

- BITCO INSURANCE COMPANIES¹
- GREAT WEST CASUALTY COMPANY
- OLD REPUBLIC ACCIDENT & HEALTH³
- OLD REPUBLIC AEROSPACE²
- OLD REPUBLIC EXCESS & SURPLUS⁴
- OLD REPUBLIC HOME PROTECTION
- OLD REPUBLIC INLAND MARINE³
- OLD REPUBLIC INSURED AUTOMOTIVE SERVICES²
- OLD REPUBLIC LAWYERS SPECIALTY INSURANCE³
- OLD REPUBLIC PROFESSIONAL²
- OLD REPUBLIC RESIDUAL MARKET SERVICES³
- OLD REPUBLIC RISK MANAGEMENT²
- OLD REPUBLIC SPECIALTY INSURANCE UNDERWRITERS³
- OLD REPUBLIC SURETY
- PMA COMPANIES³

Insurance contracts are underwritten and issued by:

1. BITCO General Insurance Corporation, BITCO National Insurance Company, Old Republic General Insurance Corporation; 2. Old Republic Insurance Company; 3. Pennsylvania Manufacturers' Association Insurance Company, Manufacturers Alliance Insurance Company, Pennsylvania Manufacturers Indemnity Company; 4. Old Republic Union Insurance Company

Allianz 

WE ARE ALLIANZ COMMERCIAL

From CEOs to local heroes

Prepare for what's ahead. With scalable insurance solutions designed to meet your needs. Globally coordinated, locally delivered.

COMMERCIAL.ALLIANZ.COM

with newer and more dynamic risks such as cyber and climate change, given the vast amounts of data that are now available.

Ryan Dodd, CEO of Intrangic, said that risk management systems must provide the best way to assess a company's exposure. This is paramount when managing cyber risk, he said.

"The first and most valuable question that a risk management system must answer is 'How likely are we to experience a large breach?'" said Dodd.

"If you have a continuous, reliable, data-driven answer to that question, then the other risk management systems (like cyber risk quantification or automated detection and response with cyber controls) offered by the broker or carrier in the market become even more relevant to the insured."

Rather than looking merely at a firm's standard metrics such as number of employees, topline revenue, IT security budget and type of cyber controls, Intrangic focuses on the most predictive factors of not just the likelihood of a breach, but also the material impact on financial performance. By assessing and validating the risk based on a combination of cyber and financial factors, it looks at its security posture in real-time based on current threats.

CLAIMS

Traditionally, claims management has been a manual, time-consuming and expensive process. But due to the advent of AI, ML, data analytics and the cloud, it's now far faster, more efficient and less costly.

For example, AI-powered chatbots and virtual assistants can be used to engage in real-time interactions with claimants, answering their questions, guiding them through the claims process and providing them with updates on their claim. ML algorithms can also be used to analyze historical claims data to detect patterns of fraud, while cloud technology enables greater claims processing efficiency, scalability and security.

"Insurance data can now be analyzed intricately to extract actionable insights," said Maha Santaram, director of Aspire Systems' insurance practice. "Insurers can collect, store and analyze vast amounts of structured and unstructured data from sources such as customer profiles or social media, among others."

ALL-IN-ONE SOLUTION

Guillaume Bonnissent, CEO of Quotech, has developed a platform that brings all of these various systems together. By recording all of the data in one place, it links all parts of the insurance value chain, including policy

administration, document and wording repositories, claims, accounting and compliance, to make the process more efficient and accurate, and less expensive, with less room for human error.

Bonnissent said that, using the right data, AI can improve the performance of such risk management systems markedly. He identified three key advantages that the technology

can bring: to determine the best underwriter or loss adjuster for a particular risk; to improve an insurer's rating model; and to provide better data analysis.

"AI can be used in a host of different applications," said Bonnissent. "For example, it can be used to assess the geographical features around properties and the quality of roofs

and construction, as well as keeping insurers informed of large events that have happened or are likely to have happened in the world, such as floods, wildfires and tornadoes, by using algorithms to analyse potential hotspots." &

ALEX WRIGHT is a freelance writer and editor based in the United Kingdom.

RISK INSIDERS

Risk Insiders are an unrivaled group of leading executives focused on the topic of Risk. They share their insights and opinions - and from time to time, their pet peeves and gripes.

Each Risk Insider is invited to publish based on their expertise, passion and/or the quality of their writing. The only rules are no selling and no competitor put-downs.

The topic of Risk is very broad and complex. By inviting risk professionals and leading industry experts to share their insights, we hope to provide a more complete perspective to our readers.

Recent Contributors Include:



Davis Hake
Cofounder, VP of Communications
and Policy Resilience



Jason Kaminsky
CEO
KWh Analytics



David Carter
Chief Strategic Officer
Sompo International



Maja Jurisic
VP and Medical Director, Strategic
Accounts
Concentra



Grace Grant
Executive Director
Gamma Iota Sigma



Frank Huang
Managing Director, P&C Actuarial
Practice Leader
Davies



Nir Kossovsky
CEO
Steel City Re



Donna Bradshaw
VP, Operations of IME Services
Genex Services

Articles from over 50 Risk Insiders are available at RiskandInsurance.com