

Next Big Tech Hurdle: Real-Time Processing For Mid-Market Commercial

Advances being made today with small-account business policies

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On the personal-lines side, the adoption of real-time processing technology—and the significant efficiencies that go with it—is becoming widespread.

The “next frontier,” according to Jeff Yates, CEO of ACT (Agents Council for Technology), is real-time processing for commercial lines—a development that will have “huge payback” for independent agents and brokers.

“There is definitely a goal and interest to make this happen,” adds Cal Durland, director of member relations for ACORD (Association for Cooperative Operations Research and Development).

At the moment, real-time capabilities on the commercial side remain limited. Most of the progress to date is occurring around simpler, small-account, business-owners policies (BOP), where the industry’s technology innovators are “succeeding pretty well” at creating the software applications that make real-time functionality possible, says Durland.

Yates agrees that BOP is where most of the commercial-side real-time advances are being made. He credits [Applied Systems](#) with developing a commercial-lines quoting system for BOP that can generate multiple quotes through its agency-management system—while other systems, he says, are still managing only one quote.



MONKEY IN THE MIDDLE

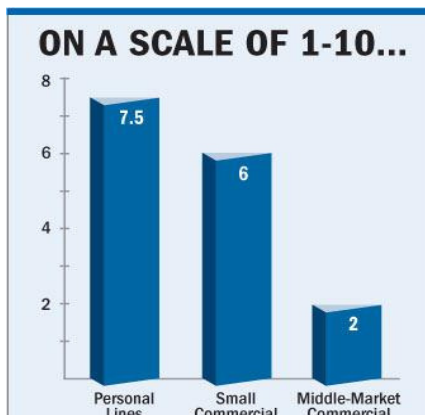
When moving up the complexity scale to middle-market commercial accounts, real-time processing becomes much more of a challenge: the standardization of applications and forms has proven to be difficult, and unlike personal lines, the active engagement of an experienced underwriter is hard to eliminate.

Noting the many variables that are involved with this class of business, the Council of Insurance Agents & Brokers has spearheaded the creation of the Insurance Exchange in an effort to create real-time transaction capabilities for middle-market commercial accounts.

Frank X. Sentner, The Council’s director of strategic technology, explains that in 2009 his organization and LexisNexis began to talk about the creation of a system that would allow agents, brokers and wholesalers to submit their client applications and accompanying data to carriers in a secure environment. The system would do away with multiple e-mails and deliver the data to a carrier in one, seamless electronic transaction.

Today, the Insurance Exchange is an open platform that allows any carrier and broker to have access to the system without charge. Brokers can only submit business to carriers with which they have an appointment or other working relationship. The program is still in the early-adopter phase with five carriers and 18 brokers.

The exchange is overseen by the Insurance Exchange Trust, comprised of insurance-industry executives who are charged with providing guidance and insight to LexisNexis in operating the exchange in the interests of the industry.



While the use of the exchange is open to the industry at no charge, there are services available only to paid subscribers.

Subscribing carriers get to brand their company, display their appetite profile, get their data the way they want it in their e-forms, access reports and analytics on producer business, and enjoy integration opportunities between the exchange and their individual data systems.

Subscribing producers receive similar benefits.

Sentner says the underlying understanding of this system is that unlike personal lines and small commercial lines, the underwriter can't be eliminated.

"We need a platform where we can have a human being in the process, but make the process much, much easier," he says.

Personal Lines	Small Commercial	Middle-Market Commercial
<p>► JEFF YATES, CEO OF AGENTS COUNCIL for Technology (ACT), ranks on a scale of 1-10 how far advanced various industry segments are in utilizing real-time processing technology. Middle-market commercial, which ACT defines as any business that requires the intervention of an underwriter, is "just starting," he says.</p>		



REAL-TIME ADVANTAGES

When (not if, argue industry experts) real-time processing becomes a more common commercial-side solution, what will be some of the key advantages delivered?

One of the big benefits for producers will be the ability to automatically upload vehicle schedules and other time-consuming, data-heavy applications from within their agency-management systems directly to carriers.

"The major idea is to get rid of keystrokes," says Yates, who explains that the norm today requires agents and brokers to go outside their agency-management systems and re-key data into the one used by a carrier (or, with middle-market accounts, to e-mail a spread sheet with the information).

Take, for example, a vehicle schedule that lists in an agency-management system all the data about each individual auto in a company's fleet—its description, registration, usage, etc. Typically, when communicating with a carrier, all that data needs to be re-entered.

And all this re-keying that occurs today is not only a drain on time—it's also a source of errors, so real-time processing can reduce or eliminate the mistakes that can delay a quote.

"There is definitely a growing awareness of the need to eliminate this double entry of data," Durland says.

EXECUTIVE SUMMARY

- The industry's technology innovators are "succeeding pretty well" at making real-time functionality possible in small-account business-owners policies.
- The Insurance Exchange is undertaking efforts to create real-time transaction capabilities for middle-market commercial accounts.
- Benefits of real-time processing include reducing data-entry time and mistakes and speeding up the quoting process.
- Some carriers are concerned that real-time processing for commercial accounts commoditizes their business.

Producers also would benefit from being able to receive batch transactions: Carriers could send over a trove of data that would be automatically accepted into the agency-management system and stored in their data-storage files or allocated to an individual or individuals for disposition.

And not only retail producers would benefit—excess and surplus-lines producers would also gain efficiency, Yates says.

Real-time processing, he adds, would not be limited to application submission, quoting and rating, but would also extend to claim submissions and updates.

"Those that take the plunge are finding significant advantages; the trick is to take the plunge," says Yates.

Indeed, with such major upsides for agents and brokers—helping them get their job done better, faster and more cheaply—some industry observers predict that those carriers that are first to

embrace real-time solutions on the commercial side could seize serious market share from competitors.

HURDLES REMAIN

So why are some carriers resisting?

One argument carriers make about adopting real-time processing for commercial accounts is that it commoditizes their business and that commercial applications and the accompanying documentation, especially for E&S business, simply can't be standardized.

But Durland counters that the collection of commercial data is essentially the same for all carriers and that the standardization challenges can be worked out, even for E&S carriers. Durland adds that carriers shouldn't be looking to differentiate themselves on the application process but on underwriting, service and paying claims.

"The key is the relationship and underwriting," says Durland. "Let the agent have more time for relationship penetration of the account."

"I'm definitely excited that we can figure this out, but I can't say it will happen next year, or when it will happen, but we are making progress," Durland adds. "Ultimately we will get there and mid-market commercial lines will be as easy as BOP."

"We do not know what technology is around the corner, but we do know the younger generation does not want to get stuck with the current processes."

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