

W+K APIG SCHOLARSHIP

2016 WINNER'S SUBMISSION

Michael Forster | Suncorp Group

Share your views on the present and/or future for the insurance industry from a perspective that affects your position.



David Kearney (Chief Executive Partner, Wotton + Kearney),
Michael Forster (Suncorp Group).

Running PI like PI

Recent updates of Sherlock Holmes¹ have seen the great detective integrate modern technology and techniques into his investigative arsenal, but his timeless powers of observation, deductive thinking and logical reasoning remain key to his crime solving success. Similarly, the financial lines industry continues to contemplate how traditional modes of operating can be enhanced by technological and managerial advances.

My early roles as an administrative assistant and broker in Aon's Professional and Consumer Services team exposed me to several instances of financial lines insurers utilising technology in a limited manner, such as the provision of online indication tools within a strict appetite.

Since 2010, I've worked in underwriting, scheme underwriting and technical specialist roles in Vero and Suncorp's financial lines teams. This variety of roles, along with seminars presented by APIG and other industry bodies and participants, has fostered my interest in technical matters and the development of the industry. These interests have found expression in the development and running of introductory and advanced financial lines training sessions for brokers, and the provision of technical mentoring and support to my colleagues.

Recently I've been a key technical specialist for financial lines in company-wide programs focused on the systemisation, standardisation and consolidation of simple or routine underwriting and administrative functions, requiring me to consider the extent to which financial lines can be managed similarly to personal lines or commoditised commercial lines such as a business package.

¹ CBS's 'Elementary' and BBC's 'Sherlock' are pre-eminent examples.

How can financial lines be run like personal lines?

The starting point is to concentrate underwriting management into a portfolio team comprised of members with a diverse range of skills such as data analysis, system and process design, product development and strategic planning, and then to use automated systems and call centre style teams to carry out routine or simple underwriting functions. The portfolio team will be responsible for setting and adjusting the portfolio strategy, which they will do based on insights derived from ongoing monitoring of the portfolio performance and trends.

An early challenge will be the development of suitable actuarial and analytical approaches; the approaches applied to personal lines and commoditised commercial lines portfolios usually deal with hundreds of thousands or even millions of policies, so these approaches will require significant adaption for much smaller financial lines portfolios. Consideration must also be given to the diversity of risks and exposures within financial lines portfolios, and the relative volatility and unpredictability of claims.

The strategy set by the portfolio team will form the basis of rules behind automated underwriting systems and prescriptive guidelines for call centre or operational staff; these systems and teams will underwrite and manage policies for simple SME risks. In this space underwriter involvement on individual policies will be limited to referrals or exceptions. Generalist underwriters with limited financial lines authority will probably provide the first line of underwriting support, with specialist financial lines underwriters reserved for particularly complex, unusual or large policies.

A benefit of this approach will be more consistent and disciplined implementation of portfolio strategies because computers and operational staff will stick to rules that underwriters might otherwise have bent. On the other hand, there will probably be less underwriting flexibility on individual policies and more complexity managing anything that's not accommodated by standard systems and processes. These challenges may test the patience of more experienced, traditional underwriters and will probably lead to some migration of complex, non-standard customers to insurers who specialise in traditional financial lines underwriting processes.

Like Sherlock, the financial lines industry can integrate advanced technology and different management techniques into its operational arsenal, but traditional underwriting and negotiation skills will still have their place.