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The case for open exposure data must be made more forcefully

Open exposure data and the use of intelligent technologies will significantly improve theoperational efficiency of re/insurers

By Justin Davies, Xceedance

One of the most enduring problems facing global insurance and reinsurance companies is dealing with large volumes of data in disparate formats. Data is the lifeblood of the industry, but extracting, understanding and storing it in standardised formats is a significant roadblock, resulting in inefficiencies across the underwriting process in the London market and across the globe.

When brokers approach carriers to place a risk, they present a slip and a statement of values (SOV), both in electronic formats. Typically, the broker offers the information to the re/insurer in a format their client prefers.

SOVs generally come in Excel files or a similar database. However, the rows and column headings can differ significantly from cedant to cedant. In many cases, single cells may contain multiple elements or mis-spelled words, and data such as addresses might be partially or entirely missing.

Slips present their own unique problems. They exist in PDF or other file formats, and some come with annotations in freehand.

Thankfully, carriers can implement multiple technological advances to helpthemtackle unstructured data, streamlining the underwriting process and significantly improving the efficiency of their business.

Optical character recognition (OCR) technology has improved considerably in recent years. OCR extracts written text and converts it into a format a machine can read. Furthermore, carriers can leverage artificial intelligence (AI) and machine learning to comprehend the data, clean it, and put it in a format suitable for the policy administration system (PAS).

Data transformation

Many technology companies supply OCR, AI and machine learning to transform disorganised data into a different, more uniform format. However, the insurance industry is highly complex and not all data is equally important, nor does it all need to be used in every instance.

The challenge is for AI and machine learning to understand what data from the slip or SOV is critical. For example, a PAS would need the insured's date, name, address, premium and the total cover. For more complex functions, such as catastrophe modelling, the technology would need to supply all of the former plus sub-limits, catastrophe deductibles, coverage type and any exclusions.

In the case of an office block in Orange County, California, the model would need to know if the California Earthquake Authority covered it and if there were any sub-limits on the building. AI and machine learning – properly used – know where to look for the needed information, extract the relevant data, scrub it, augment it and standardise it.

Once the data is cleaned up and formatted, insurers' next challenge is deciding which format to use. There is no universally accepted industry-wide format. However, there are moves to get the industry to sign up to the open exposure data (OED) format when transferring information for catastrophe modelling.

The logic for accepting OED is overwhelming and its adoption would deliver tremendous operational efficiencies for everyone in the insurance ecosystem, from cedants and brokers to carriers and catastrophe modelling firms.

There are two initiatives pushing for the adoption of OED at present: the Interoperability Technical Working Group in Europe and the Catastrophe Resiliency Council in the US. If implemented, these initiatives would allow carriers to transfer their data much more easily to the catastrophe modeller of their choice.

A move towards accepting OED – and using intelligent technologies such as OCR, AI and machine learning – will significantly improve the operational efficiency of insurance and reinsurance businesses while transforming the underwriting process itself. Integrating these technologies into the underwriting process will allow carriers to reassess how they look at and classify risk and give insurance professionals in-depth insights into risk management.

I have seen a lot of failed technology initiatives in my time, but I am confident the industry will eventually embrace OED to harness the resulting efficiencies. There are too many different players in the market that have much to gain from having a standardised data format for it not to become a reality.

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