BEST'S REVIEW® ISSUES & ANSWERS:

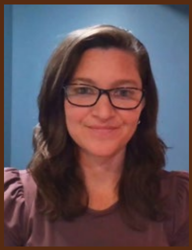
• Insurtech

• Surplus Lines

Insurance technologists discuss advances in voice technology and its use in the insurance industry. Industry executives also discuss environmental underwriting and opportunities in the surplus lines market.

Interviewed Inside:

Alex Martin
Clearspeed



Jamie Langes
Philadelphia Insurance Companies

Liz Kramer
Munich Re Specialty Insurance

Dave Obenauer
WSIA

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https://bestsreview.ambest.com/issuesanswersarchive.html

What if you could quickly and accurately triage risk at scale?

Clearspeed's voice-based risk assessment technology helps insurers across the policy lifecycle:

- Make faster, more confident decisions
- Deploy resources more efficiently
- Elevate the customer experience

Clearspeed provides **fast**, **accurate**, and **unbiased** risk identification to help optimize processes across **any line of business.**

- Auto
- Home
- Life & Health
- Pet
- LTD & Workers Comp
- Warranty
- Travel
- Commercial

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Voice of the Future

Alex Martin, CEO and co-founder of Clearspeed, the market leader in assessing risk in speech, said he sees voice technology as an important tool for insurers when it comes to the future of straight-through processing and fraud detection. "Using voice will add great benefit to end customers and our clients alike, providing the speed and the accuracy that Clearspeed continues to demonstrate," he said. Following are excerpts from an interview.

Alex Martin
CEO and co-founder
Clearspeed

"Voice technology is a very important part of the future for both the insurance customer and our clients alike."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with Alex Martin.

Insurers are facing a challenging operating environment. How is this impacting technology adoption?

We're seeing clients remain committed to their digital transformation initiatives and meeting the needs of their policyholders. They're keeping that at the center of what they do, and they're doing so with a higher degree of efficiency, to be sure. This is driven by two things happening in the macroenvironment. They are headwinds that are once in a multigeneration—high inflation; the effects of ground war in Europe; serious staffing challenges; high-impact weather events. These are things affecting not just regions, but the world. They're also dealing with increasing customer expectations for speed; highly personalized, highly curated experiences; and something that's always on. These challenges together necessitate a relentless focus on technology that can create efficiencies, optimize processes for teams and customers alike, and keep costs under control—not an easy task.

What role can insurtechs play?

This is a terrific opportunity for insurtechs to deliver innovation. It's our role to be grounded in understanding of the market and unique requirements. Every insurance company is different. Every operational design is different. It can't be tech for tech's sake or just a new shiny thing. It needs to solve real challenges. That's what Clearspeed solves with our voice-based risk analytics. We provide carriers with the confidence to clear their transactions—claims or applications—at speed and with exceptionally high accuracy.

How is Clearspeed deploying voice technology?

We're looking at voice in a completely different way. We're providing fast, accurate and unbiased risk identification, leveraging universal characteristics associated with risk rather than voice biometrics, printing, stress or inflection. We provide automated, unbiased voice questionnaires that deliver our clients' simple, direct yes-or-no questions in any language to their customers. We convert the response signal to a data model, and we identify where risk is present. The insurer can use those results to fast-track low-risk with greater confidence, and focus its resources where there is an alert.

How is Clearspeed helping insurers address concerns about the impact of AI and potential bias?

First, it's important to note that Clearspeed is not a pure AI tool, meaning we don't build predictive models. We don't need to train our system to assess risk based on input criteria like age, gender, credit score, location, social media activity. Rather, the universal voice characteristics we know to be associated with risk are detectable and quantifiable by our technology. Our use of AI is thus explainable. It simply automates the scoring based on everything we've learned across a very large data set of labeled responses. It's a direct primary measure, not a prediction. The evaluation is entirely objective and unbiased and doesn't provide a decision. Rather, it provides a clear result or a flag for possible follow-up. It's important to note that the likelihood for risk identified with Clearspeed is not a determinant. Think of it more like the metal detector in the airport, clear and alert. An alert is simply a follow-up that's noninvasive and curated in a part of that existing customer journey so you can process confidently at scale while learning where follow-up is likely needed.

Successful Environment

Jamie Langes, Vice President - Environmental Underwriting Officer for Philadelphia Insurance Companies, said that when considering the different impacts of environmental liability, from a cleanup perspective to bodily injury and property damage, it's unique. "Every claim scenario is completely different, and it plays out differently in the jurisdiction in which that claim is being handled," she said. Following are excerpts from an interview.

Jamie Langes
Vice President – Environmental Underwriting Officer
Philadelphia Insurance Companies

"Locations which had not previously had climate shift impacting their property are now seeing it's a huge factor, and the insurance industry is responding to that."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with Jamie Langes.

What are the challenges of environmental underwriting?

The first would be sociopolitical factors, such as the political pressures that are put on regulatory agencies. What changes are going to be coming in the future that might impact our policies? Our policies are a little bit different than a lot of the other property and casualty lines, in that we're not always an annually based policy issuance. We have terms that can extend out from our marketplace up to 10 years. We have to try to be a little bit futuristic and understand what those changes might entail for policies that we issue today. Also, environmental underwriting can be subjective. You need to really understand what pollution can do to different types of media such as air, water, soil and sub surfaces.

What are the opportunities in the environmental underwriting marketplace?

As I mentioned, we get to be futurists, which gives us an opportunity to develop new products, new solutions, help our insureds as they navigate those sociopolitical issues. We have ample opportunity as a marketplace to ensure that we stay relevant. More and more of our insureds are seeing that relevancy. They are considering environmental for the first time, and they're truly seeing the value of the coverage. What that means for us as the market is that we can continue to be very competitive, we can continue to deploy new resources and we can continue to add to staff and hire and train the next generation of environmental underwriters.

What role does ESG play in environmental underwriting?

ESG does not play a huge role in underwriting because there are not really any metrics that we can define for environmental, social and governance. While not a new concept, it is being repackaged, and that makes it an opportunity for us to be able to review insureds under what parameters they're identifying ESG as a core component of their business.

What's the future of the environmental marketplace, and does it have a place in the E&S world?

It has a wonderful place in the E&S world. The future of environmental underwriting will continue to move forward and advance. We're consistently evolving, and we need to be more proactive rather than reactive. The marketplace has shifted to do that better than we have previously. We have seen some older carriers exit certain risk classes. What that does is allows that talent that was unlocked from a lot of those carriers to go out to other companies and then take those lessons learned and really strengthen our ability as a marketplace to be around long term. It also gives us a great opportunity to invent new products and services. There's plenty of opportunity to create products and services that are needed to do a green transformation or to fiscally support our clients who want to better their risk management practices and move ESG forward.

Opportunity Abounds in E&S

Liz Kramer, newly appointed President of Excess and Surplus Lines, Munich Re Specialty Insurance, said the E&S market has almost doubled in the past four to five years. "We continue to see an enormous amount of opportunities coming in," she said. Following are excerpts from an interview.

Munich RE

Liz Kramer
President, Excess and Surplus Lines
Munich Re Specialty Insurance

"It's a great time to be in this market, but it's not for the faint of heart."

Visit the Issues & Answers section at *bestsreview.ambest.com* to watch an interview with Liz Kramer.

What are you seeing in the way of E&S today?

This is probably the hardest property market we've ever seen. Rates continue to go up. Capacity is down. We have not pulled back on the property market, but we are definitely seeing a significant inflow of submissions. In the way of casualty, we are still seeing rate there as well, but in pockets. Some of the professional lines have been softer, and, in fact, D&O in particular has been down. It's amazing to see that in just one year, the D&O market has gone from one of the harder market segments to one of the softest.

Are there any issues or concerns the industry should be thinking about?

Casualty inflation, in particular, has been something we've been watching for the last 12 to 24 months. Legal system abuse is probably one of the bigger concerns for casualty. We've been working with our regulatory and claims groups around understanding and watching this trend. Then, for property, it is climate risk. We continue to see very active weather patterns, and it's not just in wind-prone areas. We are seeing wildfire in the Western states combined with a lot of elevated cat activity in the Midwest and severe convective storms. There's almost no area that is immune right now on the property side for cat events.

What opportunities do you see in the market?

The E&S market has almost doubled within the last four to five years. With that explosive growth, we're seeing a number of new market entrants come in, both on the E&S side and with program administrators and MGAs that are focusing on more specialized segments. It's a great time to be in this market, but it's not for the faint of heart. We continue to see an enormous amount of opportunities coming in. Our E&S group has launched almost 20 new products in the last four years; 12 of them are core products. While we spent the first few years scaling our operation up, we're now investing in those spaces and trying to grow with our partners. It's very exciting, but you have to be very careful with some of the trends that we're seeing.

What is your outlook for the market?

We're excited about the E&S space. We're optimistic about our ability to grow there, and all signs are showing that the E&S market is going to continue to grow and see more business flow through those channels. Even some of the carriers that are predominantly writing admitted business are moving into nonadmitted space. For property, I don't see the firmness around that market subsiding. If anything, we're trying to triage the amount of submissions that we're seeing. I see the property market in particular being pretty strong. Then, as far as casualty is concerned, we have to maintain discipline. We have to make sure that rates stay on top of trend. We have to continue to listen to our brokers as they continue to see more business flow through and make sure that we're able to support them. There is just a lot going on in E&S right now. Our underwriters are busy. They're out in the market again in person post-COVID and visiting with the brokers, so it's pretty exciting.

To learn more about Munich Re Specialty Insurance and our E&S solutions, visit munichrespecialty.com.


MANAGE RISK.
CHOOSE A WSIA MEMBER.
Some decisions are too precarious to take on alone. Sometimes you need a partner who can help you create the right solution for your client's risk, while minimizing yours. In fact, it's so cost-effective that a recent analysis by Conning, Inc. concludes that wholesale distribution does not increase the cost to the insured. That's a good decision.
LOW
MEDIUM
HIGH
YIKES
RISK
WSIA
WHOLESALE & SPECIALTY INSURANCE ASSOCIATION
wsia.org/findamember
WSIA MEMBERS ARE INSURANCE PROFESSIONALS DEDICATED TO THE WHOLESALE DISTRIBUTION SYSTEM.

Growth Market

Dave Obenauer, President of the Wholesale & Specialty Insurance Association and Chief Executive Officer of CRC Group, said the surplus lines insurance market is continuing a long-term trend of double-digit growth. "[A] 2023 midyear analysis reported growth of 15.9% in premium and 2.6% in transactions over the same period in the prior year," he said. Following are excerpts from an interview.

What level of growth is the surplus lines market experiencing?

The surplus lines market continues to grow, according to both a 2022 AM Best Market Segment Report on U.S. surplus lines and the *2023 Midyear Report of the U.S. Surplus Lines Service and Stamping Offices*. The AM Best report indicated growth of 25.0% in surplus lines direct premium written in 2021, for a new record of $82.7 billion, and we anticipate that report finding continued growth when the 2023 report is released in mid-September. More recently, the 15 states with surplus lines stamping offices just released their 2023 midyear report. Those states account for approximately 64% of surplus lines premium written in the U.S., making their data a valuable indicator of the entire market. That 2023 midyear analysis reported growth of 15.9% in premium and 2.6% in transactions over the same period in the prior year.

Why do you think the surplus lines segment continues to grow, and where do you see the greatest demand right now?

Generally, the wholesale, specialty and surplus lines industry was built on, and thrives on, innovation and creating solutions for emerging risks. We're living in a time of rapid technology development, and this industry excels when we are working to meet demands for customized coverage. The recent surplus lines stamping office report also introduced a new line of business breakdown. It identifies 10 key lines of business. While there is growth in all of those lines from 2021 to 2022, commercial liability and commercial property coverage saw the highest levels of growth and they comprise the bulk of the market.

As a surplus lines industry professional, what advice would you offer about the benefits of accessing the wholesale distribution system?

Wholesale distribution delivers tremendous value to retail agents and insureds without increasing the cost of the transaction for the insured. In fact a 2021 Conning Inc. analysis found that the cost of wholesale distribution was lower than retail distribution by 1.8 percentage points. That's a win for the retail agent and the insured, and there is never a cost to seek a wholesale quote, so there is no risk. The other return for buyers who need an expertly crafted solution is the expertise we can offer. Wholesale, specialty and surplus lines professionals craft solutions for unique and emerging risks every day, and we have access to different markets and the skill to create customized coverage.

About WSIA

- Is a nonprofit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system.
- Serves more than 730 member firms representing more than 1,600 offices and tens of thousands of industry professionals.
- Provides world-class member services including networking, education, talent development, legislative advocacy and promotion of the value of wholesale distribution.

Dave Obenauer
President, WSIA
Chief Executive Officer, CRC Group

"Wholesale, specialty and surplus lines professionals craft solutions for unique and emerging risks every day."