

# HOW SPECIALTY INSURANCE PROVIDERS CAN USE INSURITY TECHNOLOGY TO SIMPLIFY SPECIALTY



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# THE EVOLUTION OF THE SPECIALTY INSURANCE MARKET

## Data, Speed, Simplicity, and Customer-Centricity as Key to Differentiation in a Space Full of Opportunity

Growth and progress depend on innovation; without innovation, progress stalls and growth slows down. In a world that is increasingly providing individuals with more regular opportunities to innovate through better data, more powerful technology, strengthened supply chains, and a greater global reach, opportunities for growth and progress across industries abound.

However, with rapid innovation comes more significant risks, less predictability, and sudden market changes. The landscape and conditions dictating what each risk entails change quickly, and market opportunities evolve with higher speed.

Supporting innovation and emboldening businesses and individuals by providing specific policies tailored to their areas of focus—regardless of how distinct, complex, or high-risk they may be—is the mission of providers in the specialty insurance industry. Providers of specialty insurance products have forever focused on going beyond standard contract language, terms, and approaches to underwriting policies and evaluating risk. Success in the specialty insurance space depends on a provider's unique business acumen and expertise in the areas they seek to cover—along with a willingness to tackle unknown factors and balance exposure with flexible and highly-customized coverage.

In today's digital-first world, the opportunities for specialty insurance providers are growing, but so too are consumers' expectations for how they operate and their ability to respond rapidly to customer needs and market trends.

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## Current Trends Impacting Specialty Insurance Providers

### Market Growth, Profitability, and Evolving Lines of Business

Over the past decade, the demand for specialty insurance products has evolved and increased, and the market has grown in response—with expectations that the market will continue to grow in light of developing opportunities. The global specialty insurance market is expected to continue this pattern of significant growth at a compound annual growth rate (CAGR) of 5.7 percent between 2019 and 2028<sup>1</sup>.

The demand for cyber liability insurance—from individuals and companies alike—serves as just one reliable indicator of the increased need for highly specialized and customizable insurance policies from experts to cover a quickly-evolving and maturing space. The global cyber insurance market accounted for USD 4.2 billion in 2017 and is expected to reach USD 22.8 billion globally by 2024, growing at a CAGR of around 27 percent between 2018 and 2024<sup>2</sup>. Moreover, specialty insurers are increasingly engaging with small and medium-sized businesses, which represent an enormous opportunity for insurer business growth as these companies seek non-standard policy options to address their specializations in response to shifting market forces, threats, and opportunities.

Specialty lines also tend to be higher-margin businesses for providers—an example is the inland marine insurance sector, which has been one of the property and casualty (P/C) industry's most profitable and consistent lines of business over the last ten years<sup>3</sup> due largely to the diversity of niche specialty products offered under the umbrella of the inland marine line of business. Thus, more and more incumbent providers and start-ups are seeking to carve out a niche in fast-growing and diverse specialty markets.

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1. By. (2019, January 14). Global Specialty Insurance Market Expected To Observe Major Growth with CAGR of 5.7% Forecast Period 2019-2028. Retrieved February 10, 2019, from <https://www.marketwatch.com/press-release/global-specialty-insurance-market-expected-to-observe-major-growth-with-cagr-of-57-forecast-period-2019-2028-2019-01-14>

2. Global Cyber Insurance Market is Set for a Rapid Growth and is Anticipated to Reach USD 22.8 Billion by 2024. (n.d.). Retrieved February 10, 2019, from <http://www.digitaljournal.com/pr/4086698>; Published by Zion Market Research

3. Smith, R. (n.d.). New report reveals that a specialty insurance niche is a great profit generator. Retrieved February 10, 2019, from <https://www.insurancebusinessmag.com/us/news/marine/new-report-reveals-that-a-specialty-insurance-niche-is-a-great-profit-generator-82712.aspx>



## Competition and Talent

Core to the success of traditional specialty providers is the expertise of their staff and the profound insights they hold within the specialty lines they focus on. Moreover, while business expertise continues to play a critical role in the development of specialty products, many providers are also faced with the need to evolve business models and build out teams prioritizing digitalization, data, and development speed in order to enable central distribution and cross-selling across specialty product lines.

According to a 2018 PwC survey of insurer directors, 44 percent believe that most existing insurers will not survive, at least in their current form, and 35 percent think the industry landscape will

stay the same but the players will change substantially within five to ten years<sup>4</sup>. A key driver for the changing competitive landscape is the rise of digital-first organizations.

Newer companies have wholly transformed the competitive landscape across insurance industries and within specialty insurance markets. Many new companies enter with a specific focus on a specialty niche, providing products tailored to meet the needs of customers efficiently. More modern companies with a digital mindset for product design take a customer-first mentality and use technology to reduce costs, move faster, and drive more products to market.

## Technology

For incumbent insurers to address evolving consumer expectations for speed, communication, engagement, and personalization, many have started investing in company-wide digital transformation programs in which the cloud plays an integral role.

According to Deloitte, 7 in 10 insurance carriers are using the cloud in their business today<sup>5</sup>; for insurers across commercial and specialty lines, the growing impact of cloud-based technology on the industry is substantial. So, for many new providers in the

space, beginning with a cloud-native product offering is a no-brainer.

Configurability, flexibility, scalability, and speed, all benefits afforded by going digital and taking advantage of the cloud, are essential for specialty carriers to survive and thrive. And embracing a cloud-first mentality can help carriers not only meet but exceed customer expectations while also enabling new opportunities for business development and driving actionable customer insights.

## BECOMING INNOVATORS:

# The Role Technology Plays in Helping Specialty Providers Differentiate Themselves

In response to changing industry conditions and market forces, specialty providers have begun to use technology to evolve business models, increase product line diversity, and keep pace with ever-changing customer expectations. Providers who seek to use technology to innovate and stay competitive are taking the following steps:

### Moving away from product-centric business development and focusing on customer-centric business development

Now more than ever, customers expect specialty providers to tailor products specifically to each individual customer's needs and to understand their industry intimately. There is a significant opportunity for specialty insurers to invest in developing unique customer and industry segment insights and use technology to create better products and services while gathering additional insights and data<sup>6</sup>.

An example: As technology becomes more globally prevalent, malicious actors and cyber vulnerabilities increase the threat to end users. Thus, the demand for cyber liability products continues to grow at a substantial pace. For insurers responding to the shifting cyber landscape, obtaining a deep understanding of the clients' needs, threats, and priorities is crucial. Many insurers are using technology and third-party tooling to gather additional customer insights and to supplement the information clients themselves provide, to design more specific products tailored to each customer's need.

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4. PricewaterhouseCoopers. (n.d.). Top insurance industry issues. Retrieved February 10, 2019, from <https://www.pwc.com/us/en/industries/insurance/library/top-issues.html>

5. 2019 Insurance Outlook: Growing economy bolsters insurers, but longer-term trends may require transformation. (n.d.). Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-fsi-dcfs-2019-insurance-industry-outlook.pdf>. Created and published by Deloitte.

6. Specialty Journal: Perspectives on the Specialty Insurance Market. (2015, August). Retrieved February 10, 2019, from [https://www.ey.com/Publication/vwLUAssets/ey-pdf-specialty-journal-interactive/\\$File/ey-specialty-journal-interactive.pdf](https://www.ey.com/Publication/vwLUAssets/ey-pdf-specialty-journal-interactive/$File/ey-specialty-journal-interactive.pdf)



## Using data to perfect the art of decision science

With more historical and digital data access available through new technologies and services, specialty insurers are embracing more sophisticated rules and modeling capabilities to outpace the competition and sustain profitable results as the operation grows in size. Data becomes a critical differentiator that also enables the provider to scale.

The following trends are evidence that data, AI, and predictive analytics will create efficiencies and savings for specialty insurance carriers, brokers, and policyholders while creating new revenue opportunities:

- **Policy Pricing:** Internet of Things (IoT) sensors, normalized data capture through mobile apps, and online user experiences provide personalized granular data to pricing platforms, feeding actuarial models and allowing safer risks to pay less for their specialty insurance as well as opening the door to usage-based specialty insurance offerings similar to what is happening in personal lines
- **Customer Experience and Coverage Customization:** AI has enabled seamless automated natural language and other non-data-entry buying experiences, using chatbots that pull in customer geographic and social data for personalized interactions and customized on-demand combinations of specialty coverage for the specific exposures or events the customer is trying to insure
- **Faster Automated Claims Settlement:** Using AI, virtual claims adjusters can quickly make decisions to settle and pay claims while simultaneously reducing fraud, creating a seamless customer experience

An example: A marine insurer is leveraging data from connected devices in containers, packaging, and telematics to make claims settlement decisions.



## Simplifying business processes and growing business opportunities

Specialty products and underwriting exposures are inherently complex, which can make developing a business in the specialty market more difficult and providing consistent customer experiences tricky. As many specialty providers increasingly target small and medium-sized businesses that were too costly to serve in the past, they are beginning to identify opportunities to use digital technology to simplify interactions with both distribution and insured customers providing self-service on-demand experiences at a fraction of the traditional cost.

An example: Professional liability insurers are leveraging technology and the digital experience with policyholder and agent portals by pulling from third-party data sources to streamline data entry while still tailoring products to each profession and capturing industry-specific details tailored to each risk.

An example: Specialty writers are launching new specialty programs and coverages—such as travel and wedding insurance—that go directly to the consumer by leveraging mobile and web technologies to deliver a straight-through quote-bind-issue experience to customers and/or agents.

## Breaking down organizational silos and building integration

Since its origin, specialty insurance has driven product silos into insurance organizations due to the reliance on experts in each niche. The silos that form make opportunities for cross-selling challenging for more generalist field underwriters and sales and marketing teams. By using technology to simplify business processes and providing automated underwriting based on predictive analytics to the field and consolidating user experiences, these silos can be broken down.

An example: A marine insurer combines product liability/product tampering into its offering to exporters using an integrated customer and underwriter portal to price the additional coverage and an AI-driven crisis hotline to respond to an event and initiate loss control measures and claims settlement.

## NOT ALL TECHNOLOGY IS CREATED EQUAL IN THE SPECIALTY INSURANCE MARKET

In response to the evolving digital approach being taken by specialty insurance providers and the increasing prioritization of technology in strategic planning, technology solutions tailored to the specialty insurance space have flooded the market. While evaluating their technology solution ecosystem, it is crucial for specialty insurance providers to remember that the benefit and effectiveness of particular technology solutions will vary based on their specific business needs, target markets, and desired outcomes.

Each specialty line product is inherently unique. The technical requirements for developing specialty products and bringing them to market vary greatly depending on the product and the customer use case. As highlighted when discussing the ways insurers are using technology to innovate, companies are leveraging the same technology solutions in different ways and combining solutions through integration to drive profitability and streamline processes. The right technology strategy depends entirely on the particular challenges and opportunities the insurance company or broker or MGA or any participant in the insurance supply chain who wants to get in the game faces with each of their specialty product offerings.

The increase in available technology solutions presents a multi-faceted opportunity for insurance providers to drive innovation and streamline development of new product offerings within their specialty lines. For many providers, the question isn't whether investing in new technology makes sense; it's instead "where do we begin to ensure we're optimizing our approach to using technology to drive the most value for our internal stakeholders and our customers?"

An essential step for specialty insurers seeking to maximize the impact technology will have on their practice is to engage an experienced vendor with deep industry expertise and a clear understanding of the insurer's needs.

## INSURITY'S MISSION:

### Deliver Solutions that Simplify the Insurance Experience

Given the customizations, configurations, and speed required of specialty providers in today's market, implementing a new technology solution may seem daunting or even burdensome. However, it doesn't have to be.

The right technology empowers insurance providers to take advantage of market growth and opportunities; the right technology does not dictate the terms of its use, but rather is flexible, adaptable, and customizable to the unique needs of each client; and the right technology solution is, from its introduction, encouraging—and not disquieting.

Insurity's cloud-based solutions are purpose-built to simplify specialty insurance from end-to-end and enable insurers to focus on growing their business rather than on managing infrastructure. With more than 200 successful cloud implementations completed for a wide range of P/C insurers, Insurity seeks to free insurers from the undifferentiated and burdensome processes typically associated with specialty product development by helping them take advantage of the benefits of its cloud platform and in-house expertise. Insurity's Bridge Specialty Suite and BridgeXPress Suite, software-as-a-service (SaaS) solutions run in public, private, or hybrid cloud environments, are built to simplify policy administration for specialty providers and simplify the entire journey of defining products and lines of business.

Comprising insurance industry experts—including more than 150 insurance business analysts—and technology experts managing an advanced insurance cloud operations organization and platform, Insurity's team understands each specialty market and technological landscape and seeks to provide every client with guidance about the technology solutions and approaches that may bring them the most value. In addition to its solutions and its expert knowledge base, Insurity offers clients a range of value-added services, including:

- Software updates, upgrades, and support
- Implementation services
- Cloud hosting and managed services
- Bureau content management
- Compliance reporting

For the Insurity team, success depends on each client's ability to simplify, grow, and solve business challenges. In the specialty space, there is no shortage of challenges, and Insurity is excited to help insurers address those challenges.



# USING THE BRIDGE SPECIALTY SUITE TO SIMPLIFY THE END-TO-END SPECIALTY PRODUCT JOURNEY

The Bridge Specialty Suite and BridgeXPress Suite are comprehensive solutions that handle core processing for policies, claims, and billing from beginning to end and accelerate policy acquisition, premium flow, and claims settlement to enhance the customer experience. The Bridge Specialty Suite is a feature-rich, integrated suite for specialty lines insurance offering clients a lighter implementation process. The BridgeXPress Suite combines the Bridge Specialty Suite and ClaimsXPress to provide out-of-the-box comprehensive claims management and adjudication workflows for different lines of business, including certain specialty products like errors and omissions (E&O).

With the Bridge Specialty Suite, providers can begin building new products and expanding to different specialty lines of business with ease. Based on their specific needs, specialty insurers can use the Bridge Specialty Suite and BridgeXPress Suite to simplify and improve:

## Complexity and Workflow

Insurers often seek to offer a range of specialty products, each of which contains individual complexities and nuances to address. Bridge Specialty Suite empowers companies to manage different specialty products in a consistent workflow from end-to-end. Using Bridge Specialty Suite, insurers can address specific underwriting and claims requirements for different specialty products within a single workflow using an intuitive

user interface. Working with Insurity, users can build custom dashboards and launch portals to allow internal and external users to interact in real-time. The solution's ease of use and the consistency it implements across lines enables insurers to build stronger integrations across product lines and teams, drive greater transparency, and deliver a more consistent end-user experience.

*“The Bridge Specialty Suite provides the flexibility we need, especially as we go forward in implementing across additional lines. The Bridge Specialty Suite provides a common user interface and promotes consistent underwriting processes across our diverse products. The Bridge Specialty Suite also offers our non-technical staff the ability to make system changes through configuration screens without programming or scripting, which eliminates dependence on a vendor for those changes.”*

– Mike Overlan, COO, HCC Specialty

## Configurability

For specialty insurers, moving quickly to respond to market demands while addressing the unique needs of each line and product is vital. Bridge Specialty Suite configuration tools, known as Bridge SmartTools, provide a user interface that is intuitive and requires no coding or scripting by its users. Bridge SmartTools allow the system to be implemented, managed, and updated entirely through screen-based tools without the need for any programming or scripting.

Specialty products tend to have unique rating methodologies, making a powerful and configurable ratings engine a critical component of business growth. Bridge Specialty Suite offers users fast configurability tailored to a specialty insurer’s specific needs. For example, the solution provides a rating and

underwriting rules engine that allows insurers to calculate all premiums, taxes, commissions, and any other applicable fees; validates all data entered as the user progresses through the workflow to trigger warnings, referrals, compliance notifications, and other workflow events; triggers applicable insuring conditions, warranties, exclusions, or other wordings from a clause library or form database; and generates all quote and policy documents based on intuitive Microsoft Word templates.

Bridge Specialty Suite also enables plug-in integration points with any internal or third-party systems including clearance data providers, external rating engines, document management systems, reporting data warehouses, and back-office accounting systems.



## Time-to-Market

The Bridge Specialty Suite and BridgeXPress Suite improve productivity and speed-to-market in specialty lines from product development to claims settlement through features like automated clearance, which leverages exact or fuzzy logic match criteria to assist in clearing risk data elements while accommodating workflow deviations. By simplifying a provider's ability to bring new products to market, Insurity enables providers to respond to market trends and evolving customer needs more rapidly.

*CAMICO, the nation's largest CPA-directed program of insurance products and risk management solutions for the accounting profession, recently licensed the Insurity BridgeXPress Suite to replace its core processing systems with an integrated solution that encompasses the entire policy lifecycle. "The Insurity team understood our unique needs as a specialty lines carrier," says Jag Randhawa, CIO at CAMICO. "The BridgeXPress Suite not only serves as a replacement for our existing core processing platform but offers the flexibility to make system changes quickly in accordance with the ever-shifting market needs."*

## Scalability, Global Reach, and Availability

Through its advanced insurance cloud operations and SaaS deployments, Insurity provides specialty insurers with solutions that can scale up and down on demand, provide global reach and availability, deliver high service levels, and meet most stringent security requirements of highly-regulated industries. The Insurity team brings more than 20 years of experience delivering core systems in the cloud to each customer deployment, as well as proactive cloud monitoring, audit and compliance services, transparent service level agreements, 99.99% availability, continuous SSAE-16, and 24/7/365 cloud operations and customer support availability.

## Integrating Technology with the Bridge Specialty Suite to Drive Business Opportunities and Insights

Using the Bridge Specialty Suite enables providers to focus more time and resources on differentiating their offerings in the market while building value-added services. The first place for providers to start when seeking to understand what customers need and the value they can bring is data. The Bridge Specialty Suite integrates with a wide range of Insurity digital solutions to help providers take the next step in their digital evolution and drive specific insights using data to build new lines of business and better understand customer needs.

**Digital Services Platform:** Powering the digital experience by utilizing standard application programming interfaces (APIs) to support data access and process capabilities, Insurity's Digital Services Platform offers specialty providers access to a range of data and functions across the full policy lifecycle, including additional integration of third-party services.

**DigitalXPerience Studio:** As specialty providers devote more time to building new customer experiences and expanding into new lines of business, they can use the DigitalXPerience Studio, Insurity's digital platform and no code/low code user experience (UX) designer, to create digital user experiences quickly and creatively, offering customers a unique digital experience. The DigitalXPerience Studio includes the ability to embed with SmartView, Insurity's proprietary data presentation and visualization technology, and easily integrates with any application via industry-standard RESTful APIs.

The Bridge Specialty Suite also integrates with complementary suites tailor-made for specific industries, such as the Oceanwide Marine Suite—a solution widely viewed as the most comprehensive global marine cargo insurance solution for insurers, brokers, and MGAs. By using the Bridge Specialty Suite in conjunction with the Oceanwide Marine Suite, providers



can cover their entire marine policy administration system end-to-end and utilize the Oceanwide Marine Suite functionality for specific requirements on the management and administration of certificate issuing [transactional] marine cargo policies.

## Are You Ready to Begin Building a Unique Specialty Product with Ease?

To learn more about how your company can differentiate within the specialty market and provide a superior experience to end users, contact the experts at Insurity today.

*“We selected the Bridge Specialty Suite because of the flexibility of the system. And, we knew down the road this was the right system if we wanted to be able to maintain existing products and configure new products and lines of business ourselves. It was a pretty simple decision for us. We’re going from a manual environment to a system where the Bridge Specialty Suite will keep track of all our rating in the background, make sure we are using the proper forms and rates, and give us more flexibility for the future.”*

– Jim Clark, CUO and SVP, HDI-Gerling America





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