

Knowledge Area Review  
Commercial Insurance Innovation  
January 2012 **Extract – Sample**



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## Knowledge Area Review Components

Section	Component	Description
1	<b>Key messages</b>	Key messages for this KAR based on the research available
2	<b>Structured Knowledge References</b>	All openly published consulting materials, structured by topic
3	<b>Knowledge Components</b>	Frameworks, key insights, highlighted case studies, benchmarks
4	<b>Additional Material</b>	Potentially useful additional items

# Key messages

## Section 1

# Key messages

1. New products are the source of the majority of innovations in commercial insurance
2. Within products, most innovations are evolutionary in the form of emerging and new risks and niches; for example cyber security, nutraceuticals, and solar power
3. Step change to innovation is occurring in three product areas: seamlessness between commercial and retail customers, increasing segment granularity, and bundling of solutions
4. In marketing, the focus is in new niches, such as a website to help charities
5. Innovations in distribution appear limited, with research pointing to channel focus, such as specialist services for agriculture
6. Innovations in underwriting are similarly limited, focussing on improvement opportunities such as a global, fact-based, property risk-quality benchmarking tool
7. Claims innovations are focussed in two areas: technology, such as the need for claims transparency and tracking; and customer value, such as claimants receiving service based on their lifetime value
8. In technology, the twin focal points are end-to-end integration along the value chain, and closer communication with customers; for example a complete underwriting guide, rating and policy administration system, and a redesigned agent portal
9. Mobility is a focus for consumers in the retail sector, with interest starting to occur in the commercial insurance sector; for example telematics, convergent apps, and self-service

# Structured Knowledge References

## Section 2

## Structured knowledge references: a selection of industry journals and websites

Journal/website	About
<a href="#">Asian Insurance Review</a>	Meets the information needs of insurance practitioners in Asia in particular and the rest of the world in general.
<a href="#">Best's Review Magazine</a>	<i>Best's Review</i> , AM Best's insurance news magazine, is a leading source of information for the insurance industry. <a href="#">View the Innovator's Showcase</a> .
<a href="#">Business Insurance</a>	<i>Business Insurance</i> serves business executives who are responsible for the purchase and administration of corporate insurance/self-insurance programs, encompassing both property and liability insurance and employee benefit programs, including life, health and pensions. Each week, the printed publication includes news and feature articles related to these key functions. From its Website, BI also delivers current news and information on a daily basis.
<a href="#">General Insurance Code of Practice</a>	From the Australian Securities and Investment Commission
<a href="#">Insurance Age</a>	<i>Insurance Age</i> delivers in-depth news analysis and features, interviews, round tables, all the product launches and news in the market as well as keeping readers up to date on the management skills required to run a successful business in the modern age.
<a href="#">Insurance and risk management terms</a>	A glossary from the International Risk Management Institute, Inc.
<a href="#">Insurance Hound</a>	Insurance Hound is a resource centre which provides insurance professionals with a free and easy-to-use digital library of briefings, white papers and reports that is updated on an hourly basis.
<a href="#">Insurance News</a>	insuranceNEWS.com.au is a free national online news bulletin specifically for Australasia's general insurance industry and the wider financial services community.

## Structured knowledge references: featured in ICG Industry Insights Reviews

Reference	Issue date	Source	Relevance
<a href="#"><i>Maximising Value from Your Reinsurance Spend</i></a>	October 2011	<b>PWC</b>	A short, high-quality article pointing out that improvements in economic capital modelling analysis, when applied to reinsurance treaties, can provide a useful assessment tool and possible negotiation lever.
<a href="#"><i>Delivering results through claims technologies</i></a>	December 2011	<b>Ernst &amp; Young</b>	This report examines the many pressures on claims management functions today and assesses how insurers are responding to new and emerging issues in the claims environment, particularly with technology solutions.



# Structured knowledge references: by topic

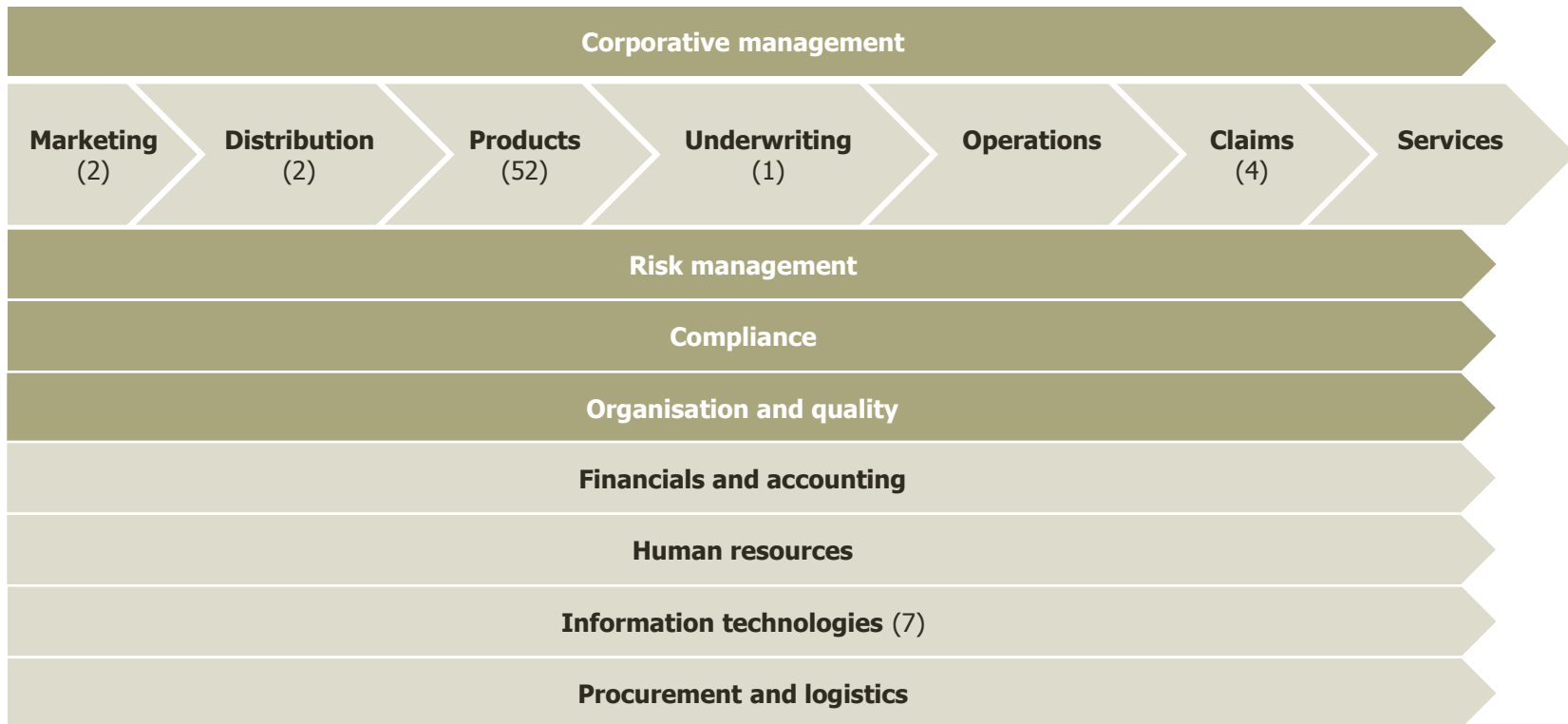
Reference	Source	Relevance
<b>Consumer focus</b>		
<a href="#"><i>The insurance tipping point: Innovation and transformation</i></a>	<b>The Journal of Insurance Operations</b> , January 2011	This web article examines the shift in insurance away from the agent/broker and insurance company to the consumer. Mostly retail-focussed, but insights that may be applied to commercial insurance.
<b>Mobility</b>		
<a href="#"><i>Vertical Snapshot: Mobility in Insurance</i></a>	<b>Tata Consultancy Services</b> , November 2011	This web article identifies mobility as an important technological advancement for the insurance market, offering unique opportunities for different types of insurance.
<a href="#"><i>Industry innovations: A mobile applications interview with Bob Evans</i></a>	<b>The Journal of Insurance Operations</b> , January 2011	This web article looks at how insurance operations can use mobility, the challenges and considerations. Mostly retail-focussed, but insights that may be applied to commercial insurance.
<b>SMEs</b>		
<a href="#"><i>What SMEs want</i></a>	<b>Insurance Age</b> , November 2011	The SME space (potentially 99% of business) is much fought over, but what is it that this disparate group of businesses want from insurers and brokers, and what do brokers need from insurers in order to deliver now and in the future?

# Knowledge Components

## Section 3

Knowledge Components are structured by the most relevant value chain component

## Insurance value chain (and number of innovations cited)



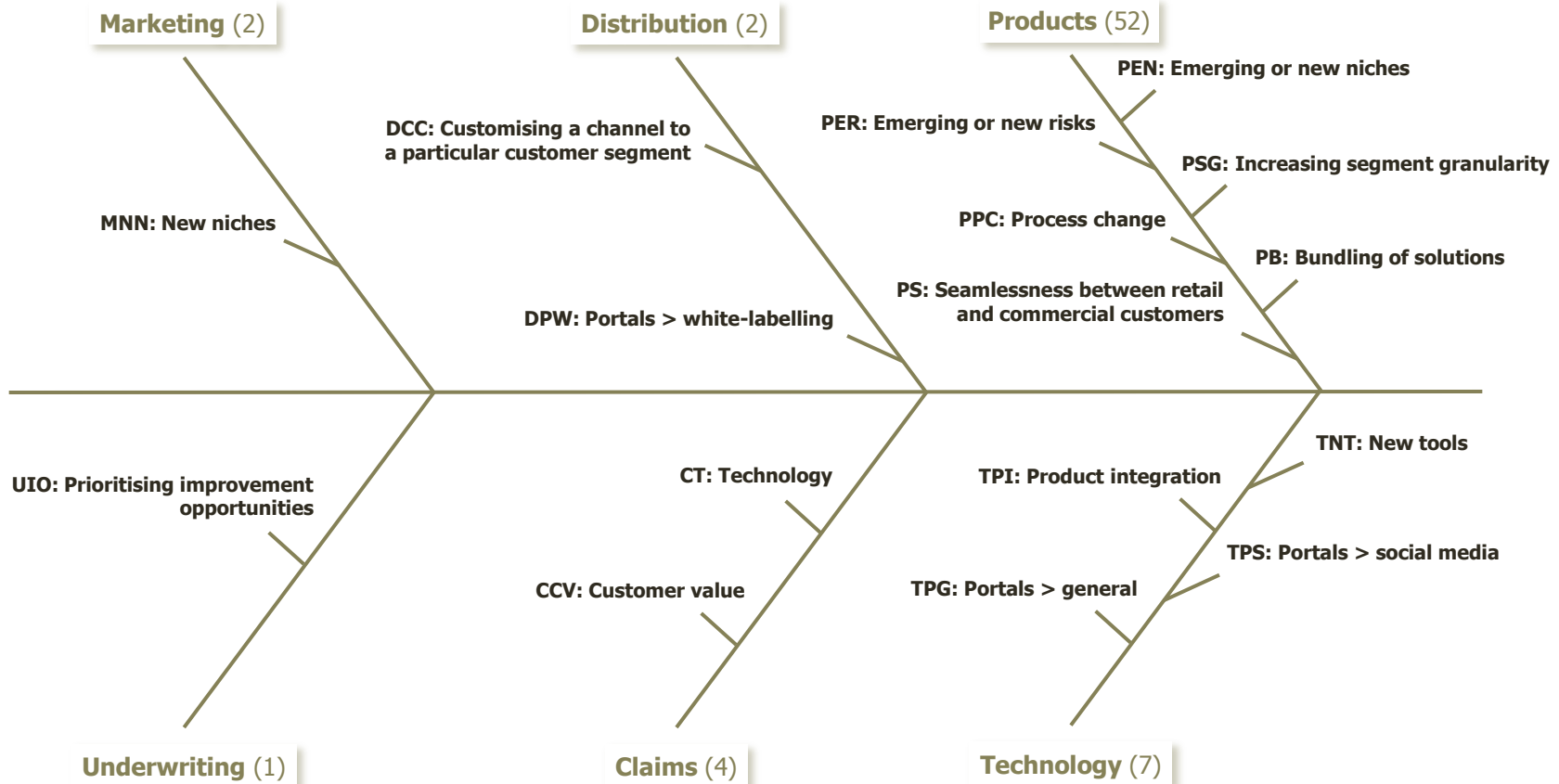
# Each innovation is categorised and numbered using an innovation code

The format is **VC-*nn***, where *V* is the value chain component, *C* is the category, and *nn* is the innovation number; eg. PER-01

## Innovation code prefixes

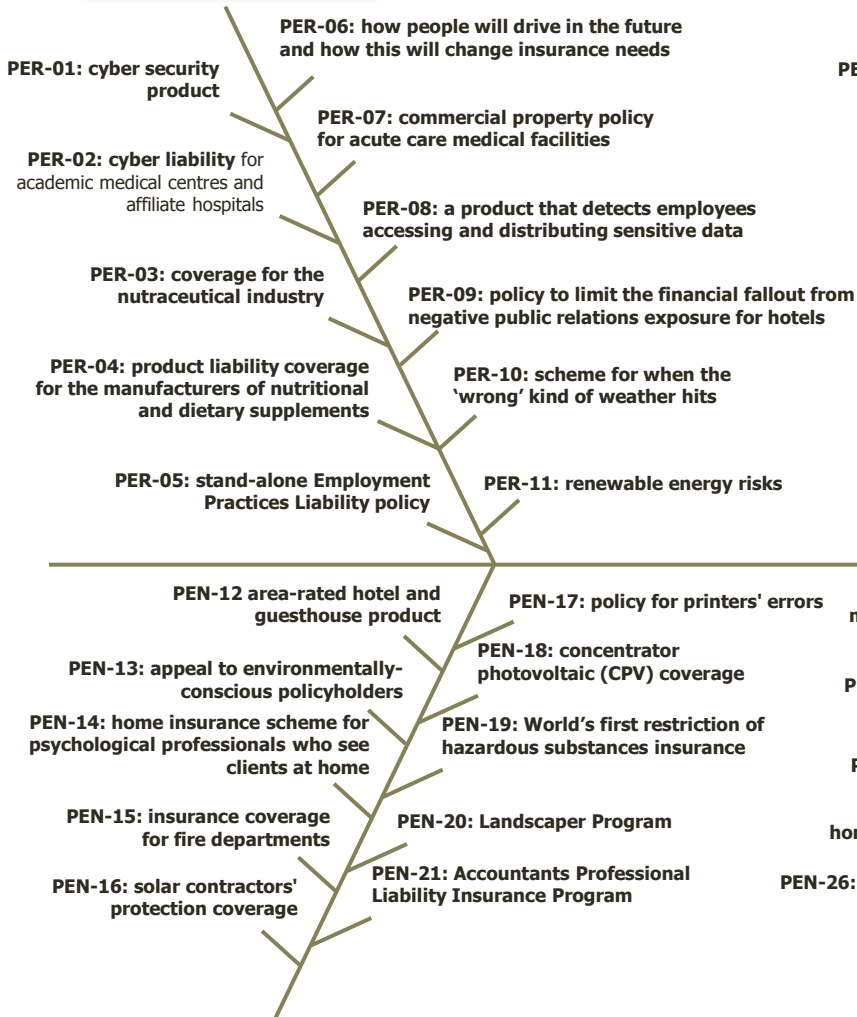
Value chain component	Category	Innovation code prefix
<b>Marketing</b>	New niches	MNN
<b>Distribution</b>	Customising a channel to a particular customer segment	DCC
	Portals > white-labelling	DPW
<b>Products</b>	New or emerging risks	PER
	New or emerging niches	PEN
	Process change	PPC
	Increasing segment granularity	PSG
	Seamlessness between retail and commercial customers	PS
	Bundling of solutions	PB
<b>Underwriting</b>	Prioritising improvement opportunities	UIO
<b>Claims</b>	Technology	CT
	Customer focus	CCV
<b>Technology</b>	Product integration	TPI
	New tools	TNT
	Portals > social media	TPS
	Portals > general	TPG

# Innovations are segmented using fishbone (Ishikawa) diagrams



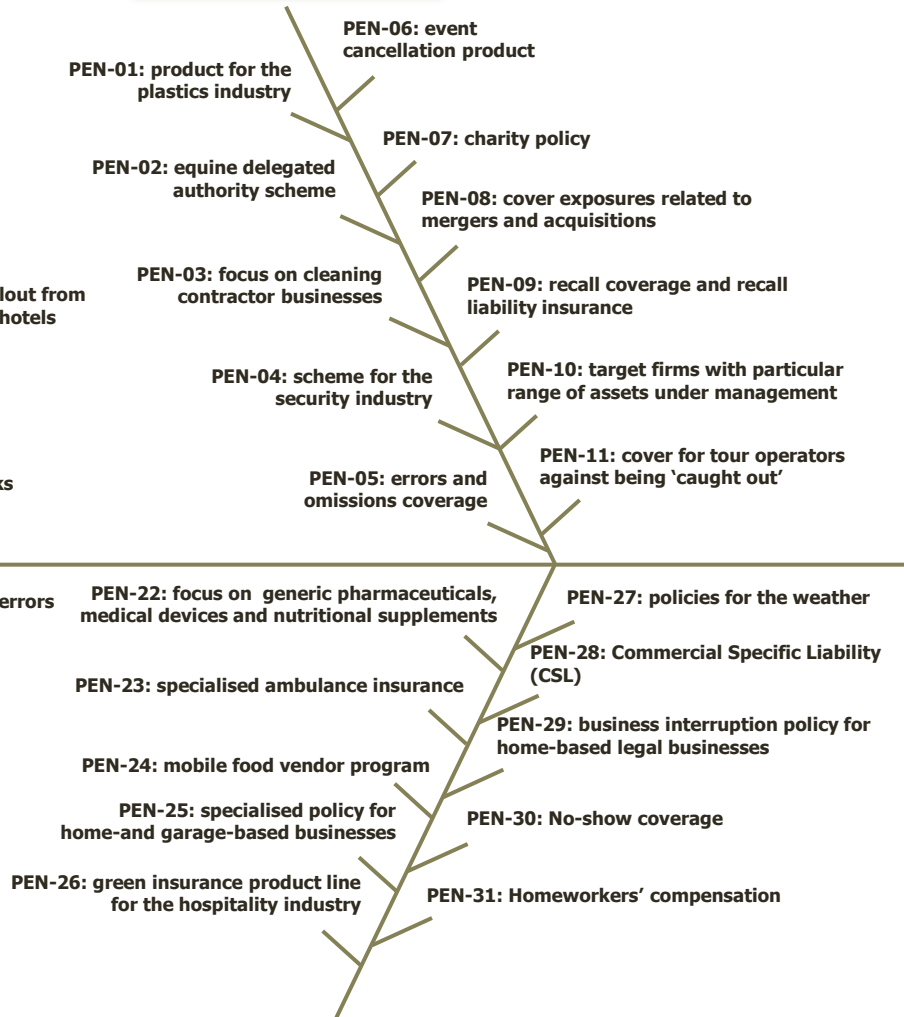
# Product innovations by category (1)

## Emerging or new risks



## Emerging or new niches

## Emerging or new niches



## Emerging or new niches

# Global product launches, at a glance

Optimum Insurance Company, Canada  
**PEN-13: appeal to environmentally-conscious policyholders**

Fireman's Fund Insurance Company, USA  
**PEN-15: insurance coverage for fire departments**

Energi Insurance Services, USA  
**PEN-16: solar contractors' protection coverage**

CNA Insurance Cos., USA  
**PEN-17: policy for printers' errors**

Munich Re, USA  
**PEN-18: concentrator photovoltaic (CPV) coverage**

Brownyard Group, USA  
**PEN-20: Landscaper Program**

Landy Insurance Agency, USA  
**PEN-21: Accountants Professional Liability Insurance Program**

Ryan Specialty Group, USA  
**PEN-22: focus on generic pharmaceuticals, medical devices and nutritional supplements**

National Interstate Insurance, USA  
**PEN-23: specialised ambulance insurance**

Markel Programs, USAK  
**PEN-24: mobile food vendor program**

Barkely Insurance, USA  
**PEN-25: specialised policy for home- and garage-based businesses**

Fulcrum Insurance Programs, USA  
**PEN-26: green insurance product line for the hospitality industry**

Travelers, USA  
**PEN-01: product for the plastics industry**

ThinkRisk Underwriting Agency, USA  
**PEN-05: errors and omissions coverage**

OneBeacon Insurance Group, USA  
**PEN-06: event cancellation product**

UK Insurance Solutions, UK  
**PEN-02: equine delegated authority scheme**

Groupama, UK  
**PEN-03: focus on cleaning contractor businesses**

Macmillan Sheikh, UK  
**PEN-04: scheme for the security industry**

Central Insurance, UK  
**PEN-07: charity policy**

Kite Warren & Wilson, UK  
**PEN-10: target firms with particular range of assets under management**

Touchstone Underwriting, UK  
**PEN-11: cover for tour operators against being 'caught out'**

APC, UK  
**PEN-12 area-rated hotel and guesthouse product**

Oxygen Insurance Brokers, UK  
**PEN-14: home insurance scheme for psychological professionals who see clients at home**

Ironshore, Australia  
**PEN-08: cover exposures related to mergers and acquisitions**

Asia Capital Reinsurance Group, Taiwan  
**PEN-19: World's first restriction of hazardous substances insurance**

**PEN-09: recall coverage and recall liability insurance**

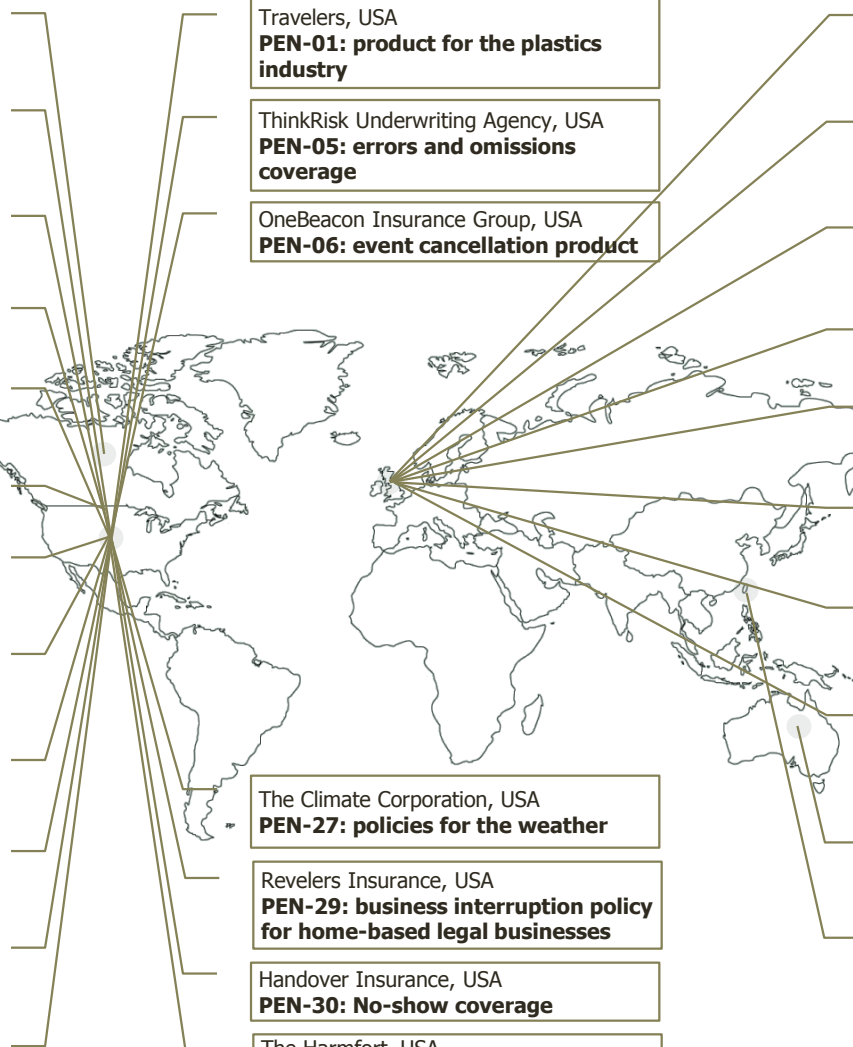
**PEN-28: Commercial Specific Liability (CSL)**

The Climate Corporation, USA  
**PEN-27: policies for the weather**



Revelers Insurance, USA  
**PEN-29: business interruption policy for home-based legal businesses**

Handover Insurance, USA  
**PEN-30: No-show coverage**

The Harmfort, USA  
**PEN-31: Homeworkers' compensation**





# Products


Category	Innovation	Description
<p><b>Emerging or new risk 1 (PER-01)</b></p> 	<p><b>Cyber security product</b></p>	<p>Chubb has launched a new cyber security insurance product for companies in Europe that own or control confidential, personal, sensitive financial information or private health data. It is also targeted at companies that transact business via the internet.</p> <p>The move follows a similar offering in the US and the insurer claims there has been a significant upswing in demand in Europe.</p> <p>The policy, which provides coverage for financial loss arising out of a data security breach by offering cover for associated first party and third party liability losses, has been based on Chubb's US offering.</p> <p>Michael Thyssen, European product manager at Chubb, commented that current buying patterns suggested the cyber insurance market was in its infancy in Europe but that the insurer had noticed a significant upswing in enquiries.</p> <p><a href="#">Read the full article</a>   <a href="#">See the features of CyberSecurity by Chubb</a></p>
<p><b>Emerging or new risk 2 (PER-02)</b></p> 	<p><b>Cyber liability insurance</b></p>	<p>Beazley, a leading insurer of data privacy and network security risks, has been selected by UHC as the preferred cyber liability insurer for UHC's 114 academic medical centers and 255 affiliate hospitals. UHC will offer Beazley's flagship product, Beazley Breach Response.</p> <p>Beazley Breach Response is a complete privacy breach response management and information security insurance solution which includes coverage for breaches affecting up to 4,000,000 individuals, including notification and credit monitoring. The product is tailored to the needs of healthcare organizations as well as higher education, retail, and hospitality businesses.</p> <p><a href="#">Read the full article</a></p>





# Products

Category	Innovation	Description
<p><b>Emerging or new risk 3 (PER-03)</b></p> 	<p><b>Coverage for the nutraceutical industry</b></p>	<p>R-T Specialty also developed broad coverage for the nutraceutical industry, specifically for the American Herbal Products Assn., for the products and dietary supplements that lack a Food and Drug Administration approval process.</p> <p><a href="#">Read the full article</a></p>
<p><b>Emerging or new risk 4 (PER-04)</b></p> 	<p><b>Product liability coverage for the manufacturers of nutritional and dietary supplements</b></p>	<p>The nutraceutical industry has responded to underwriters' concerns about product liability coverage for the manufacturers of nutritional and dietary supplements, which experts say has led to steady capacity and stable pricing.</p> <p>"The insurance market has come back pretty strongly; and actually, there are some new entrants in that world that, frankly, have made our placements in the last year or so actually a little easier than they have been," Mr. Walters said.</p> <p>Lexington Insurance Co. re-entered the nutraceutical insurance market in 2009 after taking some ephedra-based losses following the 2004 scare, said John Parente, senior science adviser for Lexington in Boston.</p> <p><a href="#">Read the full article</a></p>

# Products



Category	Innovation	Description
<p><b>Emerging or new risk 5 (PER-05)</b></p> 	<p><b>Stand-alone Employment Practices Liability policy</b></p>	<p>Arch Insurance Group announces the immediate availability of Arch Essential EPL(sm), a new stand-alone Employment Practices Liability policy from Arch's Executive Assurance Division. The new policy was developed by Arch to help employers of all sizes and industries mitigate today's most pressing employment-related risk issues.</p> <p>With Arch Essential EPL(sm), employers have a cutting-edge tool in their risk management portfolio. Coverage includes late notice protection for EEOC Charges and Written Demands and coverage for Wrongful Acts carried out over any medium, including the Internet and Social Media.</p> <p>Arch Essential EPL(sm) coverage features include:</p> <ul style="list-style-type: none"> <li>▪ State-of-the art "EEOC Charge &amp; Written Demand Continuity Protection"</li> <li>▪ Broadened definition of Employment Practices Wrongful Act, including:             <ul style="list-style-type: none"> <li>▪ Discrimination based on military or veteran status or political affiliation</li> <li>▪ Workplace bullying</li> <li>▪ Retaliation, including negative treatment of employee</li> </ul> </li> <li>▪ Internet and Social Media harassment and discrimination coverage, with coverage for individual defendants             <ul style="list-style-type: none"> <li>▪ "Loss" definition includes explicit defense costs carve-back</li> <li>▪ Emotional distress and mental anguish carve-back to bodily injury exclusion</li> <li>▪ No intentional conduct exclusion</li> <li>▪ Non-rescindable policy</li> </ul> </li> </ul> <p>The new Arch policy offers a significant value-added benefit: Arch has arranged for workplace law expert Jackson Lewis LLP to provide a call-in help line to assist Arch insurance with basic employment law questions and advice; complimentary attendance at Jackson Lewis breakfast series conferences and similar programs; a discount of ten percent for the firm's regular hourly rates for risk management services; and, unlimited access to the firm's informational website.</p> <p><a href="#">Read the full article</a></p>

# Marketing


Category	Innovation	Description
<p><b>New niche 1 (MNN-01)</b></p> 	<p><b>Cover for driving instructors</b></p>	<p>The contract involves Garratts bringing a new insurance provider, Enterprise Insurance Company, into the niche market, which it claimed would enable Glasgow-based C&amp;A Mackie to significantly strengthen its operations.</p> <p>According to the broker, the contract is worth £500,000 and will involve providing cover to more than 1,000 driving instructors.</p> <p>“C&amp;A Mackie insures 5,000 driving instructors across the UK and was keen to add a further insurance provider to the existing panel in order to manage its risks more effectively,” explained Richard Garratt, a director at Garratts.</p> <p>“We used our market knowledge and expertise to approach Enterprise, which has not, until now, had a presence in this segment of the market. As a result, C&amp;A Mackie has been able to access an additional provider, and Enterprise has seen its business develop into a fresh sector.</p> <p><a href="#">Read the full article</a></p>
<p><b>New niche 2 (MNN-02)</b></p> 	<p><b>Website to help charities</b></p>	<p>Meanwhile, at the other end of the process, third sector insurance specialists D E Ford have launched a website to help charities “spend less time on insurance and more time fundraising”. The new website allows charities with a turnover of less than £500,000 to source quotes and buy cover. Chris Greenall, director of D E Ford, said: “We are excited to be working with Ecclesiastical to offer this new service and would urge charities to take advantage of this no obligation website to help find an efficient solution for what they need. It’s our way of continuing our ongoing charity support.”</p> <p><a href="#">Read the full article</a></p>

This is an example of opportunities for affinities and schemes, eg. NRMA now has a driving school


# Distribution

Category	Innovation	Description
<p><b>Customising a channel to a particular customer segment 1 (DCC-01)</b></p> 	<p><b>Specialist services for agriculture</b></p>	<p>FarmWeb is the national network of agricultural intermediaries whose policies are underwritten by commercial insurer NIG. FarmWeb was formed in 1996 and only deals with specialist agricultural brokers.</p> <p>The FarmWeb Underwriting Centre in Gloucester has recently been restructured to mirror NIG's other regional underwriting centres.</p> <p>FarmWeb was formed in 1996 and only deals with specialist agricultural brokers. Working with NIG they have recently strengthened the team bringing in more skilled underwriters, allowing them to give brokers an excellent service with quick access to knowledgeable decision makers.</p> <p><a href="#">Read the full article</a></p>
<p><b>Portals &gt; white-labelling 1 (DPW-01)</b></p> 	<p><b>Private-label portal for agents</b></p>	<p>5Star devises the insurance product a particular retail agent is seeking with pricing and policy forms through binding authority on behalf of its main partners at Lloyd's of London, AXIS Capital Holdings Ltd. and Allied World Assurance Co. Holdings A.G.</p> <p>"The portal can be used either in-house to help run the program within the retail agency, or we can private-label it for the retail agent to be sold directly to insureds." Mr. Ottley said. "Although the whole site is managed and run by ourselves, it looks and feels as though it's a part of either the (insureds) or the retailers."</p> <p>The website, which offers E&amp;O and employment liability coverage in all 50 states, can accept applications online and quote various options based on applicants' input.</p> <p><a href="#">Read the full article</a></p>

# Underwriting

Category	Innovation	Description
<p><b>Prioritising improvement opportunities 1 (UIO-01)</b></p> 	<p><b>Global, fact-based, property risk-quality benchmarking tool</b></p>	<p>RiskMark, a global, fact-based, property risk-quality benchmarking tool, allows risk managers to define the basis for prioritizing risk improvement and administer scenarios to maximize the impact of their risk improvement budgets.</p> <p>This web-based analytics tool allows risk managers to:</p> <ul style="list-style-type: none"> <li>▪ Benchmark the risk quality of their locations</li> <li>▪ Define the basis for prioritizing risk improvement</li> <li>▪ Administer scenarios to maximize the impact of their limited risk improvement budgets.</li> </ul> <p>The tool empowers risk managers to:</p> <ul style="list-style-type: none"> <li>▪ Identify risk using the tool as a bottom-line indicator of risk and the potential for major losses; the adaptation of the metric by users aims to drive and even accelerate risk improvement</li> <li>▪ Quantify risk by facilitating risk identification, risk control and risk assessment and providing the business case for why risk improvement may be necessary.</li> <li>▪ Prioritize risk by allowing users to make theoretical improvements using the online tool to see how those improvements will affect the overall score for a specified facility.</li> </ul> <p>Users can see risk quality scores for each of their company’s facilities. They can compare their scores to industry peers/competitors across tens of thousands of FM Global-insured locations around the world and the site’s risk improvement potential and past/projected risk improvement.</p> <p><a href="#">Read the full article</a></p>

# Technology

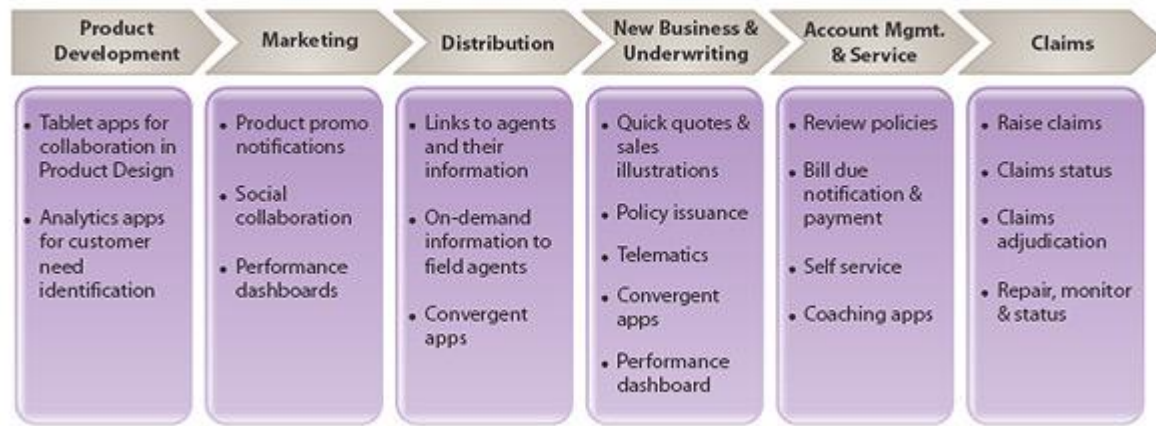
Category	Innovation	Description
<b>New tools 1 (TNT-01)</b>	<b>Accident event recorder</b>	<p>The Accident Event Recorder program provides commercial transportation insurance customers with a valuable loss-control tool that can record both video and audio when a driving incident occurs, can help to improve driver performance, reduce accidents and save lives.</p> <p><a href="#">Read the full article</a></p>
<b>New tools 2 (TNT-02)</b> 	<b>Adaptive systems</b>	<p>Mr Chuck Johnston of Oracle Corp explores the main concerns of insurers today and urges them to adopt adaptive IT systems so as to be swift and agile, necessary traits for survival today. This is especially so with the changing business environment challenged by both man-made and natural disasters.</p> <p>Change is coming, and insurance companies must be ready to move with it or be left behind. Adaptive systems can help the business move in whatever direction it needs to go, no matter how unexpected the change.</p>

# Technology: opportunities for mobility in the insurance value chain

Figure 2: Opportunity for Mobility in the Property & Casualty Insurance Value Chain

Product Management	Marketing	Sales & Distribution	Underwriting & Risk Mgmt.	Policy Acquisitn. & Servicing	Claims Management	Finance & Accounts
Product Design	Market Research & Analysis	Direct Sales	Risk Analysis	Issue Quote	Claims Registration	Statement Preparation
Actuarial Process	Market Development	Acquisition & Sales Mgmt.	Risk Acceptance	Issue Policy	Claims Validation	A/C Receivable & Payable
Product Definition	Product Branding	Account & Contract Mgmt.	Risk Inspection	Quick Quote	Loss Reserve Creation	Commission Processing
Product Pricing	Market Promotion	Sales Planning	Risk Monitoring	Policy Endorsements	Claims Assessment	Remittance Processing
Product Filing	Channel Support	Sales Execution	Quotation Validation	In-force Business Administration	Claims Adjudications	Collections Processing
Product Configuration	Product Analysis	Sales Tracking & Monitoring	Policy Validation	Policy Renewal	Claims Financials	Book Keeping
Product Testing		Distribution Channel Mgmt.	Rating Management	Policy Reinstatement	Fraud Management	Financial Accounting
Product Maintenance		Commission Management	Loss Control	Rewrite, Reissue, Cancellation	Claims Subrogation	Costing, Budgeting & Taxation
			Referrals & Negotiation		Claims Litigation	Payroll Accounting

Figure 5: Examples of Mobile Applications to Augment Insurance Value Chain Components



# Additional Material

## Section 4



## Additional material

Reference	Source	Of particular interest
<a href="#"><i>Approach your risk with clear direction: 2011 insurance market midyear update</i></a>	<b>Marsh</b> , July 2011	<ul style="list-style-type: none"> <li>▪ pages 5–7</li> <li>▪ Appendix — Pacific report, all</li> <li>▪ Appendix — US report, pages 12–13</li> </ul>
<a href="#"><i>Strategy matters: driving claims to the next level of performance</i></a>	<b>Ernst &amp; Young</b> , December 2011	<ul style="list-style-type: none"> <li>▪ pages 45–54</li> </ul>
<a href="#"><i>Against the grain 2011</i></a>	<b>Gemini Vehicle Solutions</b> , December 2011	A series of guest articles from expert commentators designed to stimulate fresh thinking and innovation in the motor claims market
<a href="#"><i>Brazil market presentation</i></a>	<b>Lloyd's</b> , October 2011	<ul style="list-style-type: none"> <li>▪ Section 5: opportunities</li> </ul>
<a href="#"><i>UK market presentation</i></a>	<b>Lloyd's</b> , October 2011	<ul style="list-style-type: none"> <li>▪ Section 3: opportunities</li> </ul>
<a href="#"><i>The Big Idea: The value of Twitter to business marketing</i></a>	<b>Peninsula</b> , UK	A short article on the benefits of using Twitter for business
<a href="#"><i>Japan Earthquake: Insurance Industry Impact and Risk Management Lessons</i></a>	<b>Towers Watson</b> , April 2011	<ul style="list-style-type: none"> <li>▪ pages 5–7</li> </ul>

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