



In Focus: Data is a 'hygiene factor' for MGAs, but claims handling lagging behind technological curve

By Clare Ruel | 24 September 2021

The insurance industry is sitting on mountains of data – used wisely, it could be the 'silver bullet' that makes an MGA successful

Despite the insurance industry continuing to increase its usage of artificial intelligence (AI) and data science, claims handling is still lagging behind the technological curve.

According to iPrism, MGAs face the prospect of having to wait for updates from daily feeds or spreadsheets as claims handling systems have not evolved as fast as some underwriting processes, largely due to legacy system barriers.

However, data sharing - which includes real-time claims reporting, greater automation and data integration - is crucial for reducing the cost of claims.

Speaking exclusively to *Insurance Times*, Raj Bosamia, technology director at MGA iPrism, said: "We all collect a lot of data and at times, it



seems that we all have different views on [it].” He added that different market participants often have contrasting opinions on how the same data should be interpreted.

Meanwhile, the format of data itself can differ due to varying systems – some are very complicated or involve legacy programmes, while others take advantage of state-of-the-art, blue chip models.

“The format that data comes in is completely different, so it’s very difficult to share that data,” Bosamia continued. “That’s one of the very big problems we have in the industry.”

The crux of this “big problem”, according to Bosamia, is the lack of interoperability or integration between systems. This means that data sharing tends to be manual and the quantity of data is huge.

“That is the problem - the interoperability, the sheer amount of data and the varying views of what that data actually means,” he explained.

By way of example, Bosamia said that iPrism outsources its first notification of loss (FNOL) process. The resulting claims data is presented as seven spreadsheets or emails per week. This data, which includes both new and ongoing claims, is then extracted and interpreted in iPrism’s platform.

In addition, the MGA also receives regular data from each of its capacity providers.



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Although Bosamia believes the Covid-19 pandemic has accelerated **digital transformation** across the insurance sector, data sharing has not largely improved in his view.

Meanwhile, Mike Keating, chief executive of the Managing General Agents’ Association (MGAA) believes the main challenge is that different insurers want different data, therefore businesses are having to rewrite their data in various ways.

Keating continued: “Data and the use of data is now an absolute hygiene factor for any MGA. It used to be, and still can be, an area of differentiation, but effectively with your capacity partner, you have to have a very forensic and transparent exchange of data to be managing your underwriting portfolio properly.

“Secondly, being able to cut, slice and look at that data to improve your underwriting proposition and identify profit pools and areas that might need some remediation in terms of overall performance.

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“You cannot have good risk selection and pricing unless you’ve got excellent data.”

He described data as a “key pillar for any successful MGA”, especially when demonstrating they are adding value to insurers and that underwriting capabilities are in the right places.

Bone of contention

However, one long-standing “bone of contention” around data use is bordereau reports, noted Keating. This is an operational report that is sent periodically from an insurance firm to its reinsurer - it details the assets covered, potential liabilities, expected premiums and the claims paid.

The reason these reports can pose problems is because insurers might need bordereau data in a specific way, but MGAs might not be able to structure data in the required format.

This is where blockchain - a form of distributed ledger technology (DLT) – can be beneficial for the MGA market, said Ranvir Saggi, chief executive of software company Blocksure.

According to Investopedia, DLT is “a database that is consensually shared and synchronised across multiple sites, institutions, or geographies, accessible by multiple people. It allows transactions to have public ‘witnesses’.

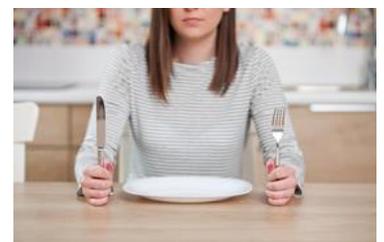
“The participant at each node of the network can access the recordings shared across that network and can own an identical copy of it. Any changes or additions made to the ledger are reflected and copied to all participants in a matter of seconds or minutes.”

Saggi continued: “The process between broker and MGA, and MGA and insurer can be automated [using DLT], eliminating the time underwriters have to spend manually collating, formatting and reprocessing data.

“DLT operates in real-time, so the broker, MGA and insurer are always in sync and each has up to the minute insight into each risk. With the receipt of real-time information, MGAs have a better insight to their portfolios as they are not waiting for data to understand the risks they have underwritten.”

According to Saggi, claims FNOL can be built into DLT platforms too. This would enable MGAs to have real-time claims notifications, allowing firms to speedily understand underwriting performance.

This type of technology also removes the capacity for processing errors, which can be costly for insurers in the long term. Underwriting controls, compliance rules and governance procedures can all be built into DLT platforms using smart contracts, providing MGAs and insurers with the assurance that all written risks fall within binding agreements and



regulatory requirements.

Saggu argued that with DLT in place, MGAs can focus all their resources on key activities, like building products and relationship management.

Keating agreed with Saggu: "What would be great [is] if you standardise as much as possible the provision and uploading of bordereau in the market, so that every insurer wanted things in the same way."

Silver bullet solutions

A further solution to the data sharing challenge, according to Bosamia, is MGAs breaking tasks down and building a new system in parallel with the old, creating interoperability between systems.

However, this is "a big task" and "not something that's going to evolve in a few months".

Keating added that although more MGAs have invested in technology so that they can "cut and slice" their data, the "silver bullet" is how this data is used. In personal lines, the use of data is slightly more advanced than in commercial lines, he noted.

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Concirus launches IoT platform with specific reporting capability for MGAs

Insurtech [Concirus launched an Internet of Things \(IoT\) platform on 14 September 2021 for the commercial insurance market](#), designed to sift through any sort of connected device data. The results can then be combined with the insurer's own information to create an advanced risk model.

The firm's chief executive Andrew Yeoman told *Insurance Times*: "We have been doing a lot of work recently around MGAs and data sharing.

"MGAs have an obligation to share data with their capital providers - the challenge is the breadth of information that is required and the speed at which it needs to be processed defeats spreadsheets. You end up with spreadsheets galore.

"As part of our platform, we are developing a specific reporting capability for MGAs and MGA constructs."

The platform, according to Yeoman, will allow MGAs to define what data should be shared, who to share it with and what format the data should take.



Andrew Yeoman,
Concirus

Yeoman hopes this will equate to a “more joined up” position between the MGAs and their capital provider.