



The availability of information on commercial property for insurance underwriters has lagged what is available for residential properties. Accurate data can help with risk selection, fraud detection and pricing. But data alone is not enough. Information needs to be fully integrated into the underwriting and business workflow and be credible and validated. Technology platforms are fast emerging as a way of bringing together the best sources of analytics, from well-recognised partners. These end-to-end solutions free up underwriters' time and enable them to focus on writing the best business.

Sapiens is already recognised as having one of the leading insurance administration systems. The company is now offering insurers access to an expanded ecosystem, collaborating with some of the best emerging analytical firms. Sapiens' partners are carefully selected to fit into the specific business goals of insurers looking to upgrade their access to commercial property underwriting data.

Matthew Grant, Partner at InsTech London, hosts this discussion on what Sapiens has learnt about what insurers are looking for, its criteria for selecting partners and how this fits into the business workflow. They are joined by three companies working with Sapiens - Earnix, Cytora and FRISS.

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## Speakers



**Tim Crossley**  
Sapiens  
Business  
Development  
Director



**Christian van Leeuwen**  
FRISS  
CTO & Co-founder



**Peter Reynolds**  
Earnix  
Head of Insurance



**Juan de Castro**  
Cytora  
Chief Commercial  
and Operating  
Officer

### **Sapiens integrates with a range of technology companies as part of your direct engagement model. What was the motivation to start working with them?**

**TC:** Our strengths are in digital, data and analytic skills and insurance domain expertise, but we can't be experts in everything. We're investing in research and development to help deliver change to commercial insurers, and DevOps to reduce the total cost of ownership (TCO). There are partners out there which have years of experience in specific fields that add value to our customers.

### **What was it about Cytora, FRISS and Earnix that led Sapiens to bring them into its ecosystem?**

**TC:** First, our ecosystem is business-centric, not IT-centric, so we look for partners who engage with business leaders. Secondly, it's about quality not quantity, and finally, and most importantly we're driven by our customers. We're trying to make it easier and less risky for them and we can act as a prime contractor as the main point of contact if preferred by customers.

Why these three companies specifically? Juan de Castro is a former customer of ours, he knows Sapiens well and the personal factor is important to partnerships. He contacted us when he joined Cytora, and we have a number of joint customers. We just started a project with Earnix in South Africa playing to the theme of IT simplification and consolidation, and as we deliver more claims and underwriting automation there's a corresponding need for better fraud detection, which is where Christian and FRISS fit in.

### **Juan de Castro, Cytora**

#### **Juan, can you talk about what Cytora is doing today for the insurance world?**

**JC:** Cytora is focused on helping our clients optimise with risk selection. Initially we were a provider of data, but in the last two years, we've moved on to enabling our customers

to do what we call digital processing of risk. For most of our clients, that is the biggest obstacle: having an inefficient process of routing a risk.

The issue is the manual nature of the risk. Insurance companies have digitised, but the risk item itself is still often a document with unstructured data, which is difficult to process before it gets to the policy admin system. As a consequence, the ingestion and evaluation of a risk is still very manual. The mid-market commercial segment of the market, which we focus on, is suffering as a result. The portion of gross domestic product (GDP) represented by commercial insurance has shrunk and the whole industry faces a significant challenge there.

We've developed the first digital risk processing platform, and we focus on the earlier stages of the process: from the moment a submission comes to an underwriter's inbox, efficiently digitising that intake to the point where it gets uploaded to the policy admin system.

**You're working directly with insurance companies as well. What is it that drives you to collaborate rather than do it alone?**

**JC:** We fill different gaps in the insurance tech stack. Sapiens is mostly known as a policy administration system, but in my experience there was a gap in technology around what happens before a risk is stored in the policy admin system. We've got a partnership with Sapiens and we integrate with other policy administration and customer relationship management (CRM) providers too. Rather than each of us solving a specific step, we present a complete solution with Cytora and Sapiens to drive efficiency in the process and achieve straight-through processing. That is what our clients are seeking: an ecosystem of tech providers providing an end-to-end solution.

## Peter Reynolds, Earnix

**Peter, Earnix is offering a platform and pricing engine for insurance companies. What do insurers need from a pricing engine these days?**

**PR:** We get involved in offering an end-to-end analytical solution for rating, pricing and personalisation — we work across several different areas of business: personal lines, commercial lines, health insurance, and others — the personalisation being a disruption in the market. We work with customers to be smarter, faster and safer.

When it comes to developing smart products we've gone for a big shift. The customer expectations, competition and business environment have all changed. Insurance companies are now competing harder to sell and price policies and we see an increase in the analytical skills they want to use. There's been a move from machine learning as an idea that was talked about, to something that's now being put into production. Huge amounts of data, including third party data, are available including data for risk modelling, pricing and rating. Until insurers can get things like pricing automated in real-time, how can they have a real digital offering?

The regulatory environment people are working in is also getting harder, so the governance and compliance around the process is becoming more onerous. In regard to Sapiens, it is important to insurers that this ecosystem works in an easy-to-integrate way, because we're all trying to do more with less at the moment.

**Can you explain how a typical insurance application might work and where we might get visibility into what you're doing? What do you need to do for your clients when they're listed on aggregator sites, for example?**

**PR:** Customers on aggregator sites usually decide based on price. If a client is feeding prices into an aggregator, they need the pricing to be right so they can win the business. Clients have to use complex analytics and machine learning to make the pricing decision, but they also need end-to-end infrastructure so that data collection, modelling and price decisions are done in real-time.

We're living in a world which used to be largely dominated by aggregators, but now we're all moving to a digital world and insurers need to price very quickly. For example, when a potential motor customer asks how the quote will change if they pay a different excess, they don't want to wait ten minutes. They want to know in real-time how much that insurance will cost.

Many customers would like to see a policy option where they are not charged the same monthly fee if they leave their car at home for nine months as we saw for example during the pandemic. The problem is that an insurer has to price dynamically based on factors that change all the time. Usage-based insurance has a lot of potential. But operationally this means using data to price in real-time and then defining what specific insurance products to offer a customer. The process of delivering that price to the consumer is complex, and something that takes an investment in technology.

**What motivated you to start working with Sapiens?**

**PR:** We were led by our customers. A customer which uses Sapiens and Earnix saw a way to integrate the two, and asked us to do that so we did. The main benefit was the ease of integration. Our customers like that the process of integration is an issue that Sapiens and Earnix deal with, not them. That gives the customer a bit of safety. If a customer has got Sapiens and is using Earnix, using the two together takes away much of the risk, and it's a tried and tested package.

**Christian Van Leeuwen, CTO and co-founder Friss**

**Christian, FRISS has over 200 clients and you're helping insurers get a better understanding of the risk of fraud. What else should people know about FRISS?**

**CL:** Our platform supports the end-to-end policy lifecycle from underwriting all the way to claims. We have our own special investigation unit (SIU) product to support the fraud investigation work. For business insurance we screen the company, its principles, and its previous behaviour to determine whether our client should do business with them, or whether they can trust a claim.

One of the top challenges insurers face is bringing data into the process and making decisions at the point where they are needed, and that's where we can help. Building a fraud is not easy. It means creating the best-in-class AI-driven fraud model, which is self-learning and up to date with the latest fraud schemes. We've seen a lot of insurers set up automated FNOLs (first notice of loss) or fast-tracking claims. They need that extra set of eyes to see if they're paying out claims to companies committing fraud. We've seen

examples where straight-through processing (STP) systems were set up to generate fraudulent claims.

For instance, in one case a tattoo shop claimed a lot of money was stolen, but the figure didn't relate to how much revenue they had had coming in. Another example was a restaurant that had a water damage claim to cover up for the loss in revenue they had. Our platform detects these kinds of patterns.

### **You've got lots of direct relationships with insurers. What led you to work with Sapiens?**

**CL:** It is crucial that we bring fraud alerts into the process at a point where the claim handler and the underwriter can decide. Having tight integration with Sapiens helps us deliver that to the users. We overlap a lot in our focus regions. We already have customers in more than 40 countries. We also have joint customers that are actively bringing us together to set this up for them. Having an experienced partner can solve customer challenges, and there's also a cultural fit.

## Sapiens

### **Tim, to what extent has the move to cloud helped you with adoption?**

**TC:** The demand for core systems on the cloud has accelerated. Many of our customers have maintained momentum during the pandemic. The ones doing it best were those who had already made the investment and were implementing in the cloud. Not just pre-production systems, but also production systems as well. Some of our customers are more conservative, dipping their toe in the water with pre-production environments first, and having a roadmap towards getting their production environments in place. Hiscox, for example, went on premise in the first place, and then went to Microsoft Azure before the pandemic. I can't think of a recent prospect who wanted it implemented on premise.

We always ask whether a client has a particular cloud preference, because Sapiens is cloud agnostic. We don't tell customers to use Azure or Amazon Web Services (AWS) or Google Cloud or Oracle Cloud, but we're doing what we can to containerise our software, and that's what our customers are asking for. We want to make sure it's not wedded to any particular cloud platform at this stage.

### **Do you see blockchain having an application as a driver to solutions such as usage-based insurance?**

**TC:** We've seen quite a bit of interest. We know about initiatives like B3i and others in the marine space. The marine market is document-heavy and has many correspondence participants in the business process, so it makes sense.

### **Peter, what does real-time really mean to the insurance industry?**

**PR:** I always turn this question around and say, "let me explain what real-time is not." We often get involved with insurers who have grown over acquisition and have multiple systems. A recent customer told us that, before implementing Earnix, it took them nine months to make a price check. Much of that nine month is checking the price and



then getting it into their downstream systems, brokers and different channel systems. Obviously, if pricing today will be different from pricing nine months ago, that makes no strategic sense. That's what real-time isn't.

What is real-time? There are different channels that require different levels of real-time. For example, aggregator sites have a time limit, so if insurers can't get the price into the aggregator in time, then they can't quote. That demands them to move the price very quickly.

Then there's this disruption in the industry around personalisation. Real-time in the context of usage-based insurance is real-time understanding: getting data, having real-time analysis of what it means and then putting the price into the channel in real-time.

### **Juan, Cytora has moved beyond commercial property. Where else are you helping underwriters get access to data?**

**JC:** We've broadened our scope in the last 24 months from being mostly property-focused to now covering the rest of P&C. The Cytora strategy is to build a detailed knowledge of client issues. Most of our clients, even though they would classify themselves as mid-market commercial, specialise in a specific niche. The value we provide is allowing them to triage incoming risks. We help them understand those risks to make an automated decision of whether it is something they want to quote, and if so, who should quote it.

That requires detailed understanding of each sector. We've built a sector library so we are able to understand exactly what the insurer's customer does and how to match that against the insurer's appetite.

The first challenge is how to resolve a string of characters in a submission, which is the name of the company, to an entity in the real world. Differences in spelling across sources mean that we need to do some triangulation of data sources. If we're providing insurance to a construction company, for example, we must determine what type of construction they do, because insurance appetites vary. An insurer might want to underwrite one type but not the other.

### **Christian, how do you see new privacy preserving technologies, such as confidential computing, helping to identify more and different types of fraud?**

**CL:** One relevant development is ethical frameworks for AI. Regulators are increasingly asking everybody that uses machine learning and AI to comply. We need to monitor that we're taking in data that doesn't deliver bias in the machine learning models, either in person or in terms of general profiling. The regulators are more aware of that now and are helping the industry by publishing frameworks for understanding what we need to comply with.

Fighting fraud is about collaborating and the insurance industry must work together. We need to know everything about the customer, but it is not okay to just grab any data that we can and figure out if we can find something. We are looking into cryptographic technologies that make it possible to leave the data where it sits, to bring the machine learning models to that data where it's needed, rather than exchanging that data everywhere and storing it in several places. This is a new area we're looking into: technologies which uphold the privacy and confidentiality of certain information but are still effective for fighting fraud.

To learn more about our events or membership,  
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