GUIDEWIRE
CYENCE

GUIDEWIRE CYENCE FOR SMALL BUSINESS

Data, insights, and business value.

WORKERS' COMPENSATION EBOOK

Use a new underwriting approach to win in the small-business workers' compensation market.

A thriving small-business market

The small- and medium-sized business (SMB) segment represents a compelling growth opportunity for insurers. According to the US Small Business Administration[1], approximately 433,000 small businesses started in 2016 and start-ups accounted for 65% of net new job creation, at 9.6 million jobs, from 2000 to 2018. Small businesses need workers' compensation insurance and are increasingly buying it online. This is a high-volume, low-touch business not typically suited for intermediaries, such as agents and brokers. Customers today demand convenience, an Amazon or Netflix type of experience, where products and services are only a few clicks away.

Given the unique circumstances around underwriting small businesses—poor data quality, consumer-like buying behaviors, disproportionately high cost of writing new business—it's difficult for insurers to cater to consumers' needs for speed and convenience by adapting traditional approaches to prospecting, underwriting, renewing, and managing small-business policies. When insurers begin to switch to straight-through underwriting processes that can maximize customer service and growth, the lack of information on small businesses or the inability to collect differentiating insights presents another challenge in identifying risk differentiation between similar types of small-venture entities. Insurers are looking at information that is only the tip of the iceberg during underwriting, leading to potential adverse selections and putting book profitability at risk.

A seamless path from data to business value

Imagine an SMB insurance landscape where information about a risk is automatically available on demand. Information that is not only "black and white," like hours of operations, the availability of delivery services, or whether the business has HR policies properly documented, but also intangible, such as behavioral information on whether policies are being observed, management follows best practices in general, and so on. At Guidewire Cyence, we enable data-driven underwriting by gathering and highlighting the most useful external and internal data to help differentiate risk, which in turn guides segmentation, risk selection, and pricing decisions—a seamless path that turns data to insights and business value.

1. "Frequently Asked Questions About Small Business," US Small Business Administration Office of Advocacy, September 2019, https://cdn.advocacy.sba.gov/wp-content/uploads/2019/09/24153946/Frequently-Asked-Questions-Small-Business-2019-1.pdf.

Gain a competitive edge with a seamless path from data to insights and business value.

GUIDEWIRE SUPPLIES A FULL-STACK SOLUTION

1. CAPTURE THE UNIVERSE OF AVAILABLE DATA USING:

PAGE 4

Cyence data listening engine: Access data across public, private, and proprietary sources. Ensure data integrity via triangulation across data sources and time. Cutting-edge machine learning techniques clean and process the data for consumption.

2. EXTRACT INSIGHTS FROM CURATED DATA SET VIA:

PAGE 5

Advanced modeling: Combine AI/ML enabled statistical modeling with deep historical claims experience to link a wealth of company data to proven impact on loss ratio.

3. BRING DATA AND MODEL INSIGHTS INTO THE END-TO-END VALUE CHAIN WITH:

PAGE 6

Insurance tooling: Apply data insights across policy life cycle via risk selection and pricing tools, portfolio assessment and management dashboards, and customer-friendly health-checks.

4. LAYER ON BUSINESS DECISIONS INFORMED BY ANALYTICS WITH:

PAGE 7

Seamless workflow integration: Embed analytics, tooling, and business guidelines directly into the workflow to quickly drive value.

VALUE: ADDED REVENUE AND COST SAVINGS IMPACT BOTTOM LINE

PAGE 8

Over a petabyte of external data is collected monthly with 600+ available data points for testing.

Cyence data listening engine **COLLECTS**, **CURATES**, and **ANALYZES** vast amounts of technical, environmental, and behavioral data from a variety of sources at petabyte scale.

Guidewire Cyence is changing the way insurers are interacting with data about an account across the life cycle of a policy, and helping take advantage of the universe of available data out there today, ranging from:

DATA ON DEMAND

To meet the needs of self-service delivery models, quoting decisions increasingly need to be made in real time. Access to meaningful, company-specific data within seconds can further the underwriting process.

- HOURS OF OPS
- PRODUCTS
- CRIME RATE AND TYPES
- ENABLE AUTOMATION

- SERVICES
- BUILDING FOOTPRINT
- BUSINESS HEALTH

NON-OBVIOUS DATA

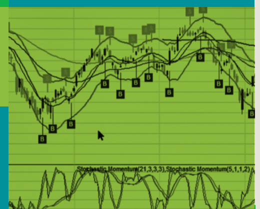
These advances can provide previously difficult-to-attain information, data that the industry may have disregarded before, or data that simply wasn't available, offloading the burden of data collection to sophisticated machine learning algorithms that scour the web.

- CONSUMER SENTIMENT
- TESTIMONIALS
- EMPLOYEE SENTIMENT
- BUILDING DETAILS
- HEALTHCARE DENSITY
- WEB SOPHISTICATION
- FOOT TRAFFIC
- VEHICLE TRAFFIC
- SOCIAL RATING
- AREA LIFESTYLE

PROPRIETARY DATA

As technological advances become commoditized and open-sourced, the value of proprietary data will be more and more important. Services that provide proprietary company data or those that leverage claims for training models will provide deeper and more-differentiated insights.

- INSURANCE INDUSTRY
- 3RD PARTY
- CLAIMS



- DIFFERENTIATED INSIGHTS
- INCIDENTS
- TRAINING MODELS
- COMPANY SPECIFIC

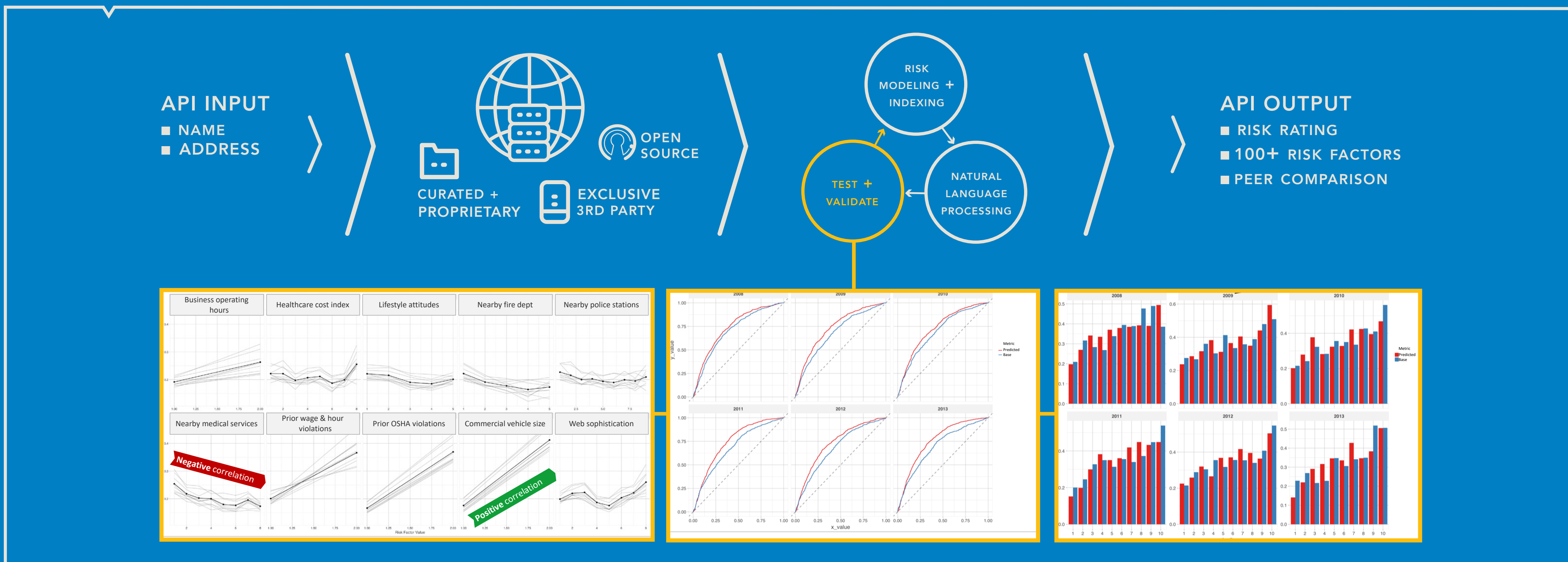
HISTORICAL AND PEER BENCHMARKING DATA

Guidewire Cyence enables you to move beyond the physical ability to collect certain information, such as accessing decades of historical data or comparing a business against its peers across hundreds of characteristics.

- REVENUE RANGE
- INDUSTRY REGULATIONS
- COMMON HAZARD
- BEYOND THE PHYSICAL

- INCORPORATION YEAR
- BUSINESS TYPES
- PEER COMPARISON

Rigorous model validation proves similar model lift from outside-in data, and 2%–3% impact on loss ratios when combined with in-house models.



CYENCE FOR SMALL BUSINESS FOR WORKERS' COMPENSATION is an on-demand risk assessment engine that delivers company-specific risk ratings, 100+ risk factors, and peer comparison in less than two minutes. Accessed via a RESTful API, this cloud-native solution expands insurers' risk appetite for workers' compensation by augmenting the traditional underwriting process with out-of-the-box risk models powered by machine learning and non-obvious external data—all while enabling a streamlined, frictionless experience for small-business owners.

The data-driven insights delivered by this solution enable insurers to realize the following advantages across their insurance life cycle:

Prospecting: By capturing a wealth of company information using just a name and address, underwriters and agents can refine their segmentation. This lets insurers find accounts that are more likely to bind, focusing their marketing and lead generation efforts before ever receiving any information via submissions from the businesses themselves.

Risk selection and underwriting streamlining: With access to a wide breadth of risk factors or data points, insurers can streamline underwriting so that it's a low-touch or automated process by instituting rules based on key characteristics of each. These range from the number of hours a business is open, to any previous workplace safety violations, to whether the SMB uses its own delivery vehicles.

Pricing: Actuaries can access data with much higher coverage, fidelity, and accuracy, without needing to pull that information from paper applications sent by policyholders or agents. This lets actuaries build pricing models that no longer must work with scattered data sets, while identifying more differentiation between similar risks.

Renewals: On-demand risk assessments and data collection can enable an insurer to monitor the health and risk of a business throughout the policy term. Renewals can further be streamlined by reducing the amount of fresh information needed to make a decision.

Guidewire Cyence for Small Business for Workers' Compensation helps insurers differentiate small-business risk.

Differentiate risk for protected profitability

For example, two hardware stores with about the same number of employees and amount of revenue may look like similar risks, as shown in this diagram. With Cyence for Small Business for Workers' Compensation, non-obvious data for the two storesis analyzed (such as services provided, business hours, neighborhood crime rate, street foot traffic, and proximity to a hospital).

As a result, the risks between the two businesses suddenly look very different and therefore will affect pricing decisions. By having access to real-time, non-obvious data sources, insurers can complement existing underwriting processes to more easily differentiate risk for protected profitability.

Cyence for Small Business for Workers' Compensation offers:

- Two inputs needed for rating: business name and address
- Easy implementation: go-live in less than three months
- More than a petabyte of external data collected monthly
- 600+ data points available for testing
- Billions of dollars of DWP used for modeling
- Improved predictive power for real-time decision-making
- Access to 25+ Silicon Valley data scientists

Seamless integration to the core system speeds up process and fine-tunes risk selection.

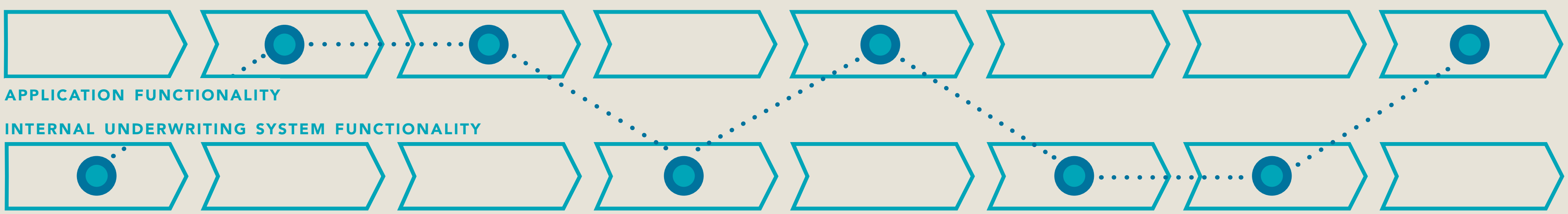
Pre-integration underwriting: "Swivel chair" underwriting process

FIND ENTITY IN THE APPLICATION
Use information from the application to identify the relevant entity

COLLECT RELEVANT ENTITY ANALYTICS
Review analytics results and capture important information for binder

EVALUATE PRICING
Use the application to evaluate proposed policy structure and pricing

UPDATE POLICY LIST
Use the application to evaluate proposed policy structure and pricing



APPLICATION FUNCTIONALITY

INTERNAL UNDERWRITING SYSTEM FUNCTIONALITY

QUOTE REQUEST
Back-office provides quote request to underwriter through internal underwriting system

DETERMINE PRICING
Determine pricing based on underwriting guidelines

SUBMIT QUOTE
Submit the quote for consideration

BIND
Once quote is accepted bind the policy

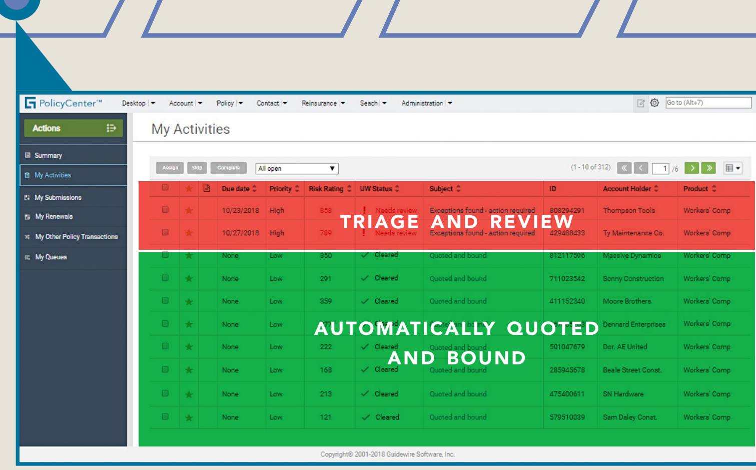
Post-integration underwriting: One-stop underwriting process

QUOTE REQUEST | FIND ENTITY | COLLECT RELEVANT ENTITY ANALYTICS | DETERMINE PRICING | EVALUATE PRICING | SUBMIT QUOTE | BIND | UPDATE POLICY LIST

INTEGRATED UNDERWRITING SYSTEM

Faster underwriting, better risk selection

Cyence for Small Business for Workers' Compensation can integrate with Guidewire PolicyCenter or any core systems in place through API integration. This reduces information collection efforts for underwriting, improves underwriting efficiency, and speeds up the underwriting process with a real-time triaged view for precise risk selection.



Guidewire Cyence for Small Business for Worker's Compensation adds value throughout the entire insurance life cycle.

USE CASES

Policy life cycle

PROSPECTING

+ Target risk within appetite
+ Increase cross-sell/upsell opportunity
+ Improve risk selection

SUBMISSION

+ Reduce submission requirement
+ Obtain consistent and improved risk analysis
+ Use peer benchmarking

RATE/QUOTE

+ Automate rating and quoting
+ Gain productivity and efficiency

RENEWAL

+ Automate renewal process and decision

STRATEGIC BENEFITS

GROWTH STRATEGY

+ Improve speed-to-market with broader and deeper data-driven insights to evaluate expansion and growth strategies

PRICING AND COMPLIANCE

+ Reduce underwriting leakage with improved pricing granularity
+ Lower loss ratio

EMPLOYEE TRAINING

+ Improve reserving accuracy with more accurate and consistent rating
+ Reduce loss expense

MODEL DEVELOPMENT

+ Improve auditability for regulatory compliance
+ Reduce regulatory compliance expense with consistent underwriting

BROKERING/PLACEMENT

+ Improve employee experience
+ Lower training time with automated decision making and guidance

To learn more, please see the following:

DATA SHEET

PRODUCT VIDEO

PRODUCT DEMO

WEBINAR

If you have any questions or would like to schedule a live demo, please contact:

accountdev@guidewire.com

If you are interested in a detailed assessment of the financial impact of Cyence for Small Business for Workers' Compensation, please contact us for a Guidewire Strategic Advisory value workshop:
StrategicAdvisory@guidewire.com

Guidewire delivers the industry platform that P&C insurers rely upon to adapt and succeed in a time of accelerating change. We provide the software, services, and partner ecosystem to enable our customers to run, differentiate, and grow their business. As of the end of our fiscal year 2019, we were privileged to serve more than 380 companies in 34 countries. For more information, please visit www.guidewire.com and follow us on twitter: @Guidewire_PandC.

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