AI-Powered Transactional Insurance Opens New Small Business Cargo Markets to Insurance Brokers

Right now, transactional insurance is evolving into something entirely new. And, it's driving fresh opportunities for insurance agents and brokers, just like you, to create highly tailored products and drive revenue.

How so? By leveraging artificial intelligence (AI) and automation, human-centric insurtech solutions are creating open covers that can be efficiently distributed at a highly granular level. **The result: Brokers can now profitably service low complexity, high volume risk – tapping previously unavailable markets.**

No longer will you be fishing for small fish with a line, but rather trolling the open seas with a massive net.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Addressing Stray Risk Has Long Been a Painful, Unprofitable Process

With thin margins and on-demand pressures, one need look no further than the cargo and logistics industry for a sector challenged to rapidly address risk on a transactional basis—a reality that prevents businesses from seizing lucrative opportunities.

So, too, are the insurance brokers who serve them.

Just consider this: If a broker making $65,000 a year spends two to three hours writing a one-off $2,500 policy, the agency may only clear $28. The equivalent of a cheap steak dinner, it becomes pretty clear that servicing this business through traditional approaches makes absolutely zero financial sense.

Now, consider that stray risk tends to move through a complex flow from the U.S. to the London market and back again, especially where interesting commodities, like temperature-sensitive goods, flowers, electronics and alcohol are concerned. The process to insure these transactional shipments, complicated by the five-to-eight-hour time zone difference, is likely to take seven to eight days—with policy fees added at every touchpoint.

Just ask underwriters what irks them most and one-off shipments will likely rank right up there. They're time-consuming policies that simply don't generate any revenue.

Granted, we all recognize the importance of servicing clients and nurturing new opportunities. This is a relationships game, after all, and these one-time policies could become repeat business. Too often, however, these investments leave brokers with little to nothing to show for the effort.

AI Benefits to Pricing

And as if these challenges weren't enough, traditional processes simply can't turn on a dime to address changing risk environments. Where insurtech was able to instantly remove perishable food exclusions and offer extended, transactional cover in the early days of the pandemic, for example, traditional approaches were simply unable to keep up. Instead, brokers charged minimum premiums based on historical data, hoping to make up the cost of missed opportunities to service market needs.

Insurtech is opening up a new market to insurance brokers, just like you.

There's no such thing as bad risk, there are simply bad terms and conditions. Unfortunately, conventional transactional insurance, like in the spot freight industry—where the common understanding is that underwriting is 60% educated guess—sees those bad terms and conditions as the norm.

Insurtech replaces luck with accuracy, empowering insurance brokers to easily put a price to anything and grow their book of business.

When massive quantities of historical data are fed into AI "learning engines", powerful and automated predictive models can be created. As new data comes in, these engines identify correlations and edge cases, learning, evolving and growing more and more effective over time.

The payoff: Providers can now harness these new tools to understand risk at a previously unheard of granular level while also providing sustainable cost savings.

What Does this Look Like in Practice?

One insurance broker recently received an ad hoc inquiry and, after reviewing the risk, insured it in under 40 seconds. In the eyes of the logistics customer, the broker proved to be the hero of the day. As it turns out, the machinery shipments were just minutes from their scheduled ship time and the broker was able to insure the loads on an all-risk basis from the bottom up—saving them $2,000 in contractual late shipping penalties.

As you might expect, our industry is making a dramatic U-turn. The transactional, small business that brokers didn't want to touch before now makes sense from a financial perspective. Largely automated and self-service, insurtech is bringing efficiency that's easily scaled.

When designed to understand the needs of clients, automation also illuminates how insurance brokers can offer different structures, different deductibles and better offerings. With AI and an algorithmic approach, however, insurtech can predict future risk, unbiased by human assumptions and free of human error, to achieve sustainable cost efficiencies and accelerate the purchase process, giving insurance brokers, like you, a competitive advantage to small business.

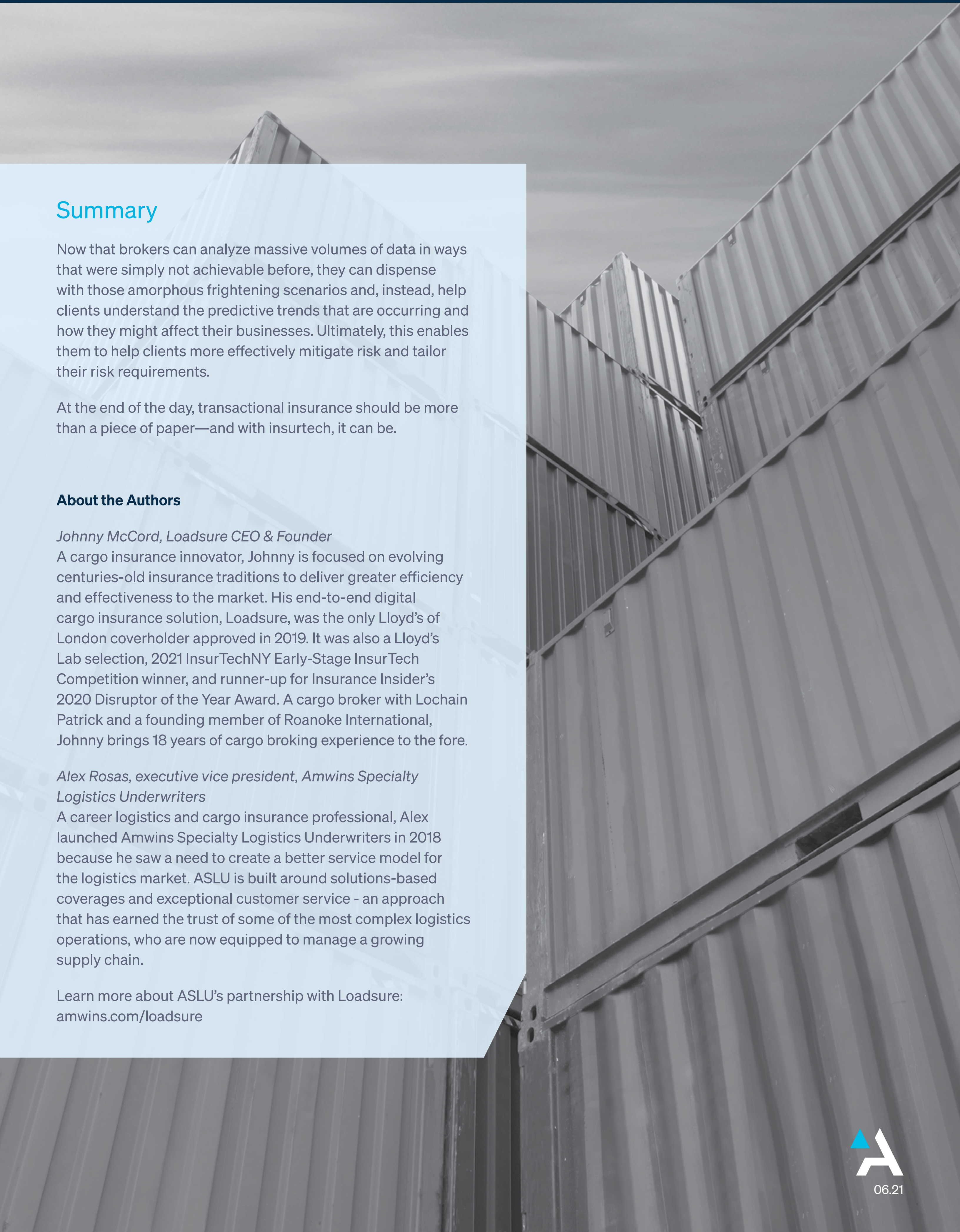
Insurtech Will Enhance—Not Replace—Insurance Brokers

Let's be clear here. Early in the movement, the world's largest insurtechs raised billions believing they could eradicate the intermediary—insurance brokers. What they failed to understand was that this is a very relationship-driven business. Clients need more than strings of 1s and 0s as they contemplate emotionally charged worst-case scenarios—they need the empathy and guidance of brokers.

What's more, there are serious ethical implications of AI that must be considered—it has to be artificial intelligence managed by human thinking, by insurance brokers who understand the difference between right and wrong.

Well, now, those same insurtechs are saying they made a mistake.

We've always seen things differently. From the beginning, we've believed that the human-centric approach to managing risk is the right one and that the power of insurtech is in reallocating human capital—freeing insurance brokers to innovate, focus on more complex risk and build deeper relationships.



Summary

Now that brokers can analyze massive volumes of data in ways that were simply not achievable before, they can dispense with those amorphous frightening scenarios and, instead, help clients understand the predictive trends that are occurring and how they might affect their businesses. Ultimately, this enables them to help clients more effectively mitigate risk and tailor their risk requirements.

At the end of the day, transactional insurance should be more than a piece of paper—and with insurtech, it can be.

About the Authors

Johnny McCord, Loadsure CEO & Founder
A cargo insurance innovator, Johnny is focused on evolving centuries-old insurance traditions to deliver greater efficiency and effectiveness to the market. His end-to-end digital cargo insurance solution, Loadsure, was the only Lloyd's of London coverholder approved in 2019. It was also a Lloyd's Lab selection, 2021 InsurTechNY Early-Stage InsurTech Competition winner, and runner-up for Insurance Insider's 2020 Disruptor of the Year Award. A cargo broker with Lochain Patrick and a founding member of Roanoke International, Johnny brings 18 years of cargo broking experience to the fore.

Alex Rosas, executive vice president, Amwins Specialty Logistics Underwriters
A career logistics and cargo insurance professional, Alex launched Amwins Specialty Logistics Underwriters in 2018 because he saw a need to create a better service model for the logistics market. ASLU is built around solutions-based coverages and exceptional customer service - an approach that has earned the trust of some of the most complex logistics operations, who are now equipped to manage a growing supply chain.

Learn more about ASLU's partnership with Loadsure:
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