

2022 Property Risk Management Report

 **archipelago**

 **Advisen**
A ZYWAVE COMPANY

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Survey Information

We are pleased to present the results of our second annual survey on property risk management from Archipelago and Advisen Ltd., a Zywave company.

The survey took place during the first quarter of 2022 and was distributed to risk managers, insurance buyers and other risk professionals. In total, the survey received 209 responses. The data presented in the report focuses on responses from 187 risk managers who reported having a property portfolio greater than \$100 million in total insured value (TIV).

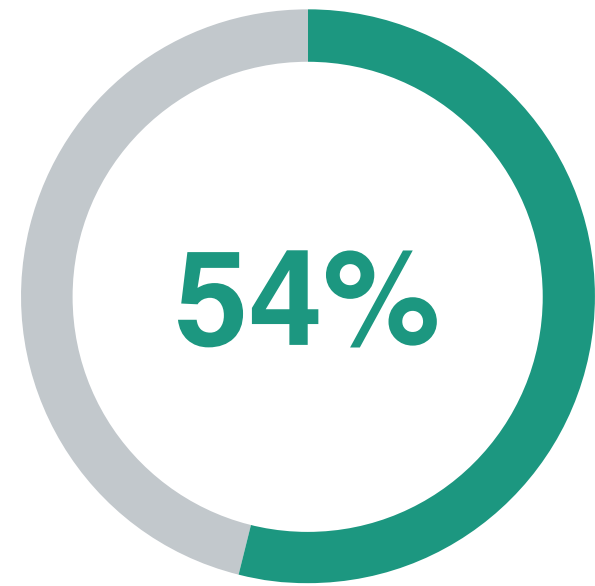
We sincerely thank all survey respondents for their valuable time and insights.

Executive Summary

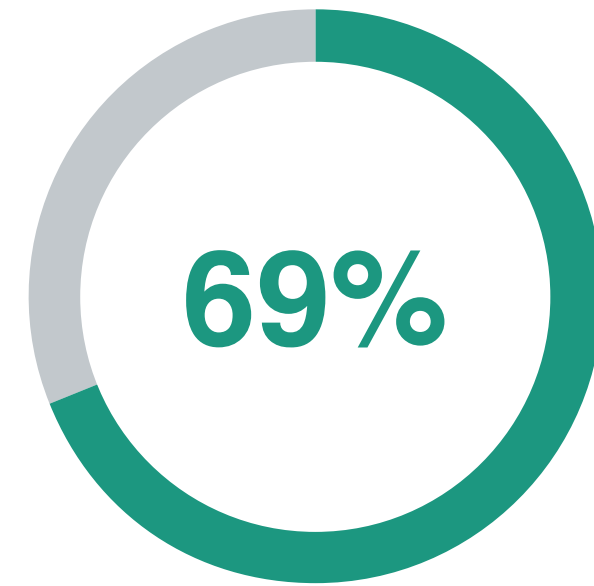
Findings from the second annual Property Risk Management Survey from Advisen Ltd., a Zywave company, and Archipelago show that risk managers with large portfolios of commercial property seek a more proactive position in the value chain. Their goal is to move upstream within their organizations and influence strategy for initiatives around risk, resilience and mitigation.

As a result, risk managers increasingly want the ability to execute strategies according to their own view of risk. They prefer insurance industry partnerships that are transparent and provide data-driven actionable insights rather than relationships solely focused on the exercise of pricing risk and purchasing coverage.

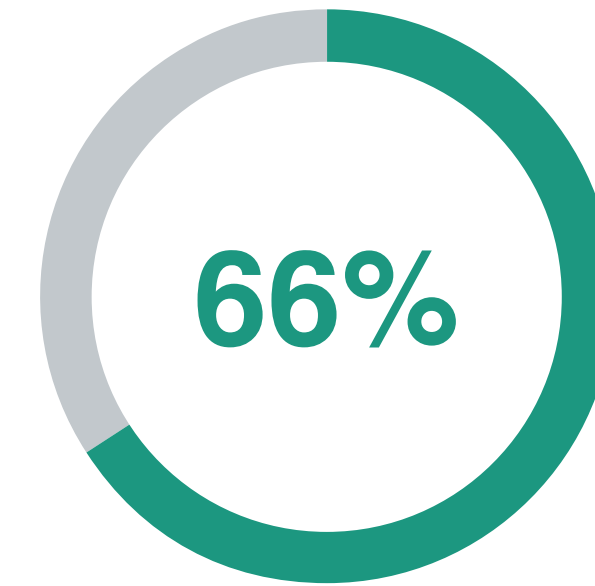
Key Findings



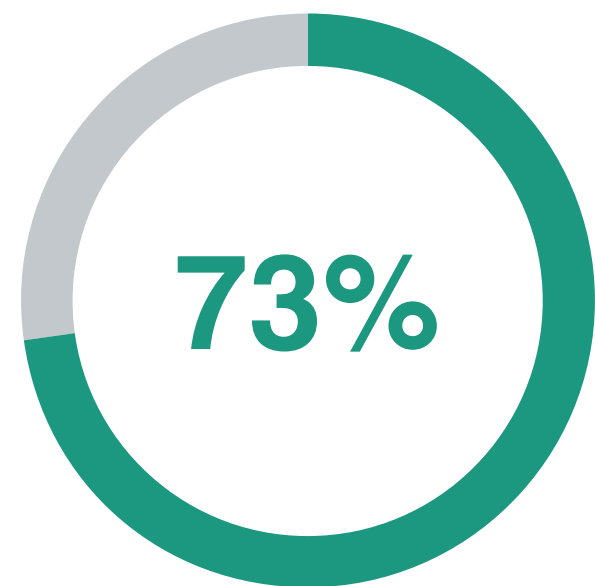
54% are not satisfied with their property insurance program.



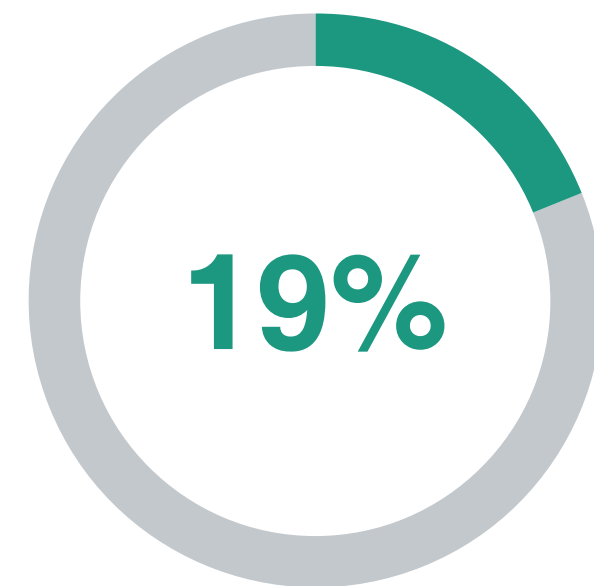
69% see a reduced role for insurance in the future.



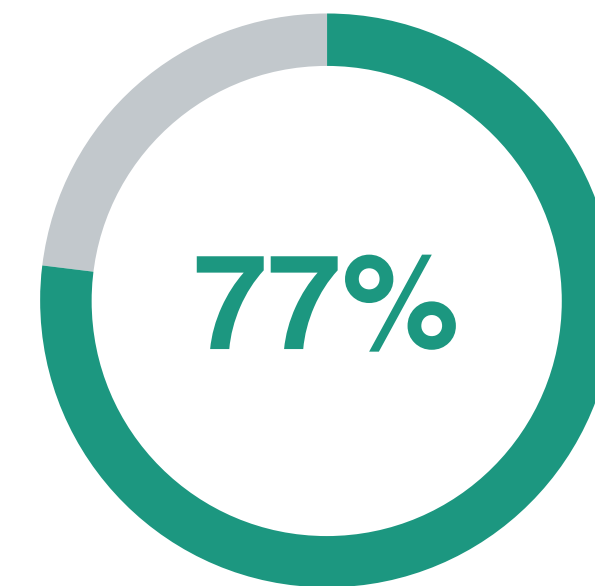
66% want more transparency into property insurance underwriting and pricing.



73% do not receive comprehensive and actionable feedback from their insurance partners.



19% understand how insurers use their statement of values (SOV) data.



77% said managing and maintaining SOV data is complicated.

This Report Includes Expert Commentary From Leaders in the Property Risk and Insurance Industry



Hemant Shah, CEO, Archipelago

Hemant Shah is the CEO of Archipelago, a risk data platform that connects and transforms property risk data for large commercial property owners and enables brokers and insurers to view and analyze customer portfolios to deliver optimal insurance outcomes. Previously, he was the founder and CEO of RMS, the world's leading catastrophe modeling company. Hemant's been a pioneer in the application of data analytics to risk management, helping to shape the modern re/insurance industry. Hemant is passionate about risk and resiliency, and he serves on the board of the social venture, Build Change. Hemant holds both a Bachelor's and a Master's of Science in Engineering from Stanford University.



Sean Ringsted, Chief Digital Business Officer and Chief Risk Officer, Chubb

As the leader of Chubb's 100% digital business unit, Ringsted is responsible for overseeing revenue, products and capabilities with partners, including digitally native platforms and financial institutions, as well as driving digital business results with the company's traditional agent and broker partners. He is also responsible for the use of data and analytics to drive decision-making insights across the organization. As Chief Risk Officer, he is responsible for the continued development and implementation of Chubb's risk management strategy and framework and related processes across the company.

Ringsted has more than 25 years of experience in the insurance industry. In February 2017, he was appointed chief digital officer. He has served as the company's Chief Risk Officer since 2008, prior to ACE's acquisition of Chubb in 2016.

About Archipelago

Archipelago (OnArchipelago.com) is transforming how large commercial property owners manage their data, assess their risks and connect to their insurers efficiently.

Archipelago's secure AI-powered platform utilizes machine learning to digitize risk, enrich the data and provide a secure environment to connect risk managers, brokers and insurers during renewals.

About Advisen, a Zywave Company

Advisen is the foremost provider of data, media and technology solutions for the commercial property and casualty insurance market. In 2020, Advisen was acquired by Zywave, a leading insurance technology provider powering growth for its partners.

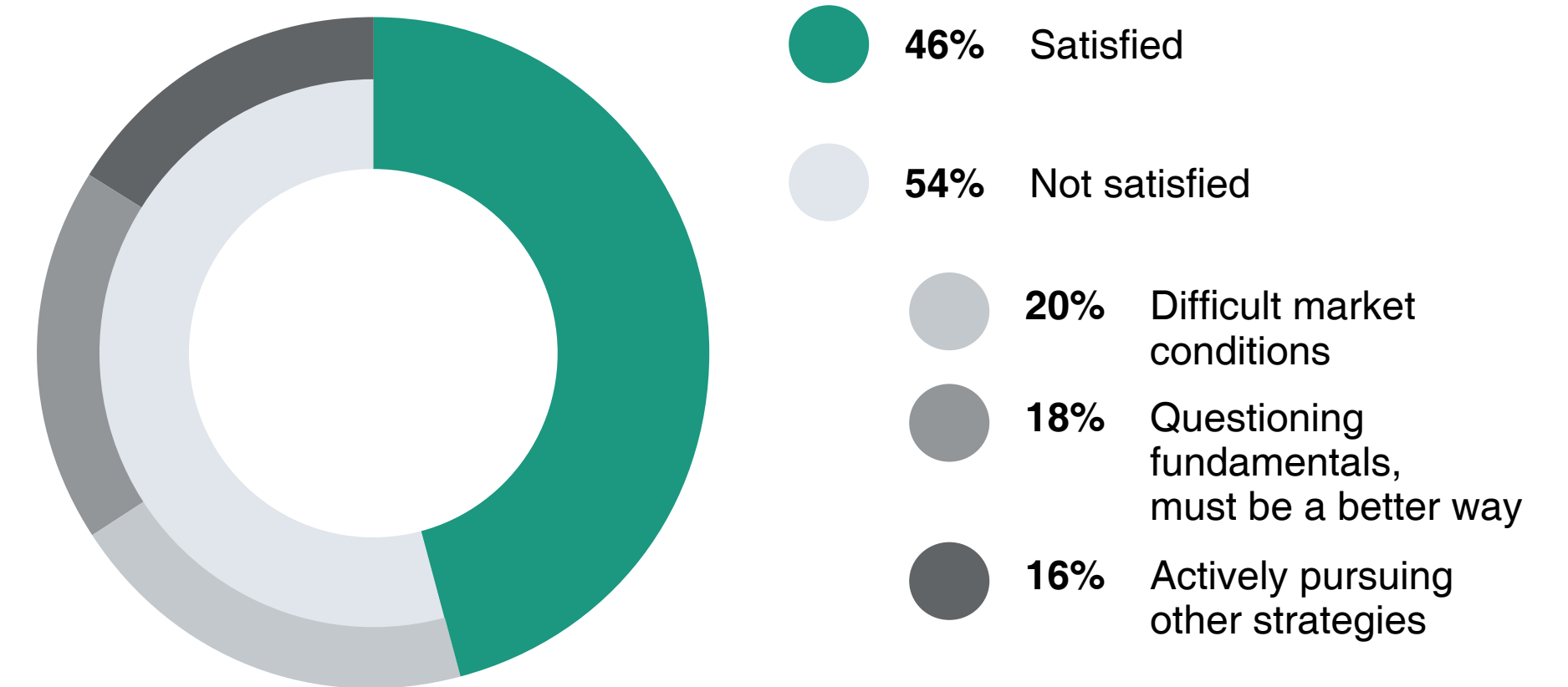
Combined, Advisen and Zywave bring deep expertise, strategic insights and the most innovative technology solutions to insurance professionals around the globe.

Evolving Stakeholder Expectations

Satisfaction With Your Property Insurance Program

Similar to last year, the majority (54%) of risk managers are not satisfied with their property insurance programs. While current hard market conditions remained the top reason for their dissatisfaction, many continue to question the fundamentals of their insurance strategy and are actively pursuing alternative approaches to managing their insurable property risk.

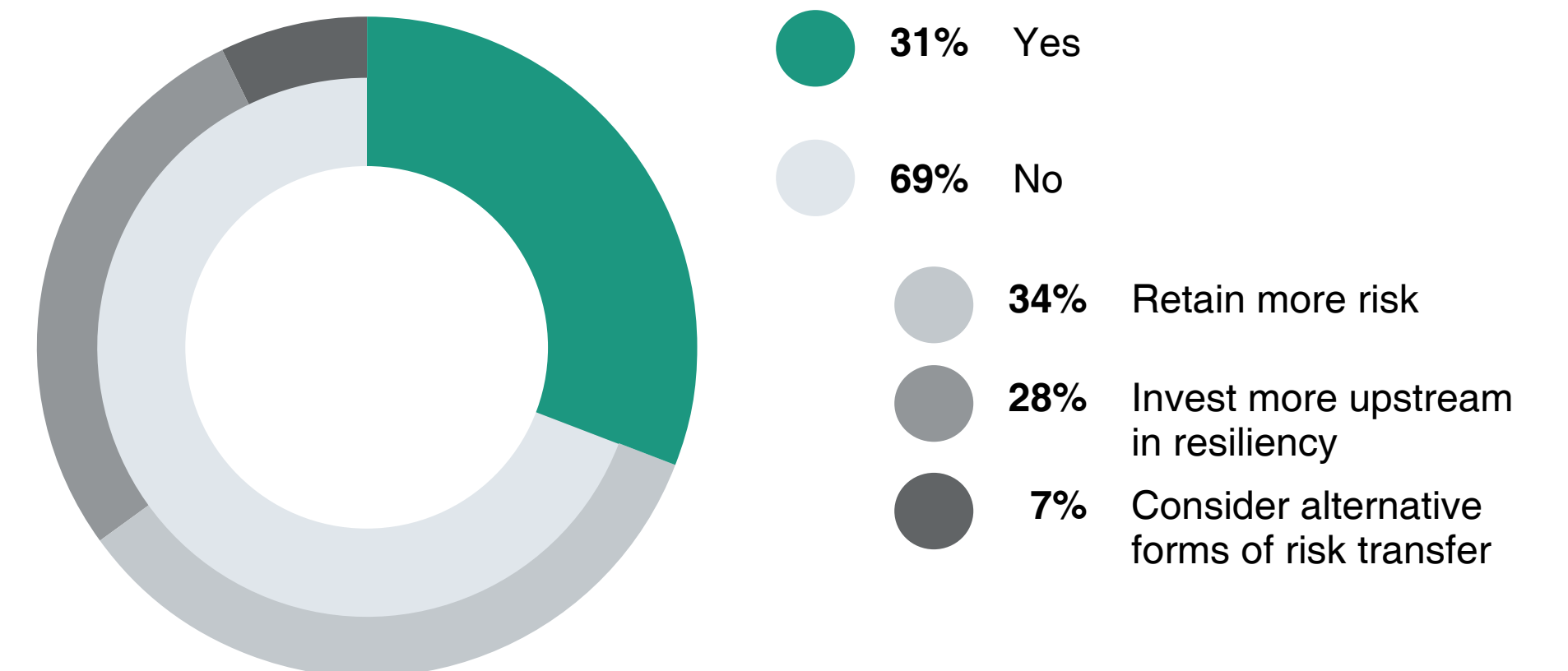
One respondent had high praise for the people with whom they work with in the industry but said that, in terms of product, process and pricing, “this industry needs to evolve forward and bring risk-based, operational efficiency to how programs are underwritten and managed. The industry needs to combine both advanced technology AND human expertise for this to work well.”



Is the Status Quo Likely to Persist?

Sixty-nine percent (69%) of risk managers continue to see insurance playing a reduced role in how they approach commercial property risk in the future. Just 31% would prefer to keep the status quo. One respondent, for example, expressed a desire for a future that is “less reliant on insurers.”

Approaches favored over the status quo include the following: retaining more risk (34%), investing more in resiliency (28%) and exploring alternative forms of risk transfer (7%).



Expert Commentary: The Evolving Role of Property Insurance



Hemant Shah, *CEO, Archipelago*

“We saw similar survey results last year; too many risk managers are ambivalent about the fundamental value proposition of their insurance programs. It’s more than just pricing and terms. We’ve seen that trend drive many large buyers of insurance (with sizable balance sheets) to re-evaluate their risk and insurance strategies. They’re now investing in their own mitigation and resilience, choosing to retain more risk, and exploring alternative risk transfer strategies. They want to connect their own data, own their own view of risk, and act accordingly.”



Sean Ringsted, *Chief Digital Business Officer and Chief Risk Officer, Chubb*

“The core value proposition of insurers will continue to be the transfer of risk from our customers to our balance sheets. However, these trends highlight the opportunity to shift towards specific risk identification and mitigation services that will complement the risk transfer product. Top-tier risk managers are looking for solutions that deliver more than just the coverage and claim payment after a loss has occurred, but also actionable insights about their risks and the opportunities to manage them more effectively – for example, the use of IoT in buildings to ‘predict and prevent.’ This is the future of the insurance industry, and it’s an incredibly exciting one.”

Evolving Stakeholder Expectations

Are You Getting More Opportunities to Deliver Strategic Impact?

Historically, a risk manager's primary responsibility was purchasing and managing insurance for a company's exposures. They would react to market cycles, respond to market pricing and defer to their insurers and brokers regarding the cost-effectiveness of their coverage and the adequacy of their risk management practices.

Over time, the risk manager role has evolved; now, many are relied upon as an authority on business and risk management strategy. In fact, 52% said they are getting more opportunities to deliver strategic impact in areas ranging from resiliency and environmental, social and governance (ESG) to driving transformation in how they manage risk.



Evolving Stakeholder Expectations

How Would You Like to Spend Your Time?

Today, risk managers feel they spend too much of their time chasing data, preparing loss analyses, managing relationships and directing their insurance renewals.

When asked to rank how they would like to spend their time, setting strategic direction and proactively managing the risk with other key stakeholders is at the top of the list.

How Risk Managers Prefer to Spend Their Time (Most to Least)

1. **Setting strategic risk management objectives**
2. Identifying, measuring, and managing insurable risk
3. Leading and/or directing key stakeholders
4. Promoting loss prevention
5. Directing the purchase of insurance programs
6. Managing relationships with third-party service providers including brokers, insurers, and other TPAs
7. Managing claims and loss control activities
8. Preparing loss analyses and budgets

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Evolving Stakeholder Expectations

Managing and Maintaining SOV Data is Complicated

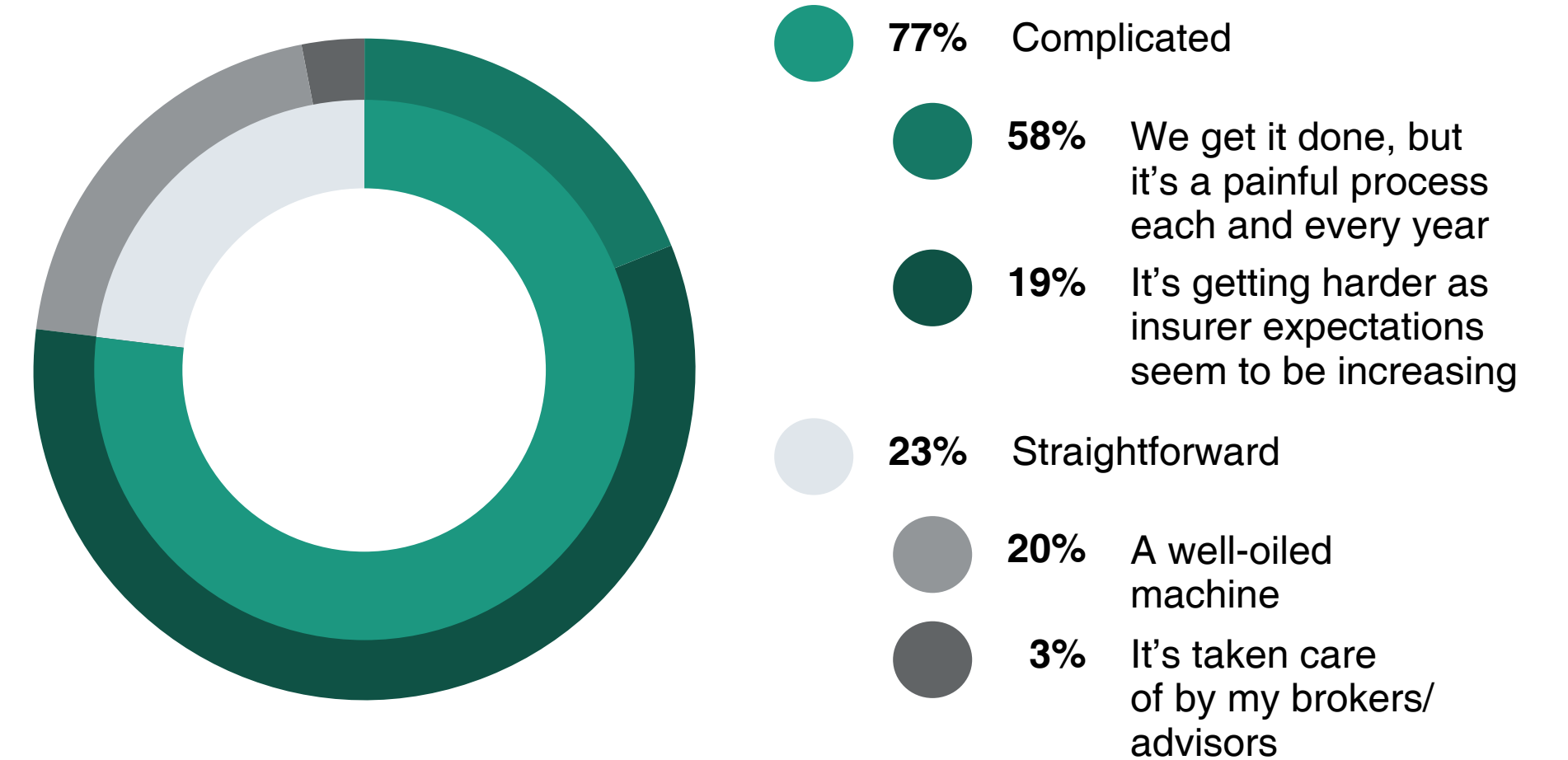
Managing and maintaining SOV data is a significant pain point for the majority of risk managers. This is largely driven by increasing insurer expectations and a perception that the data provided is not reflected in their policy terms and pricing.

“The detail requested for a catastrophic program that handles most of the claims internally is overkill and unnecessary,” according to one respondent.

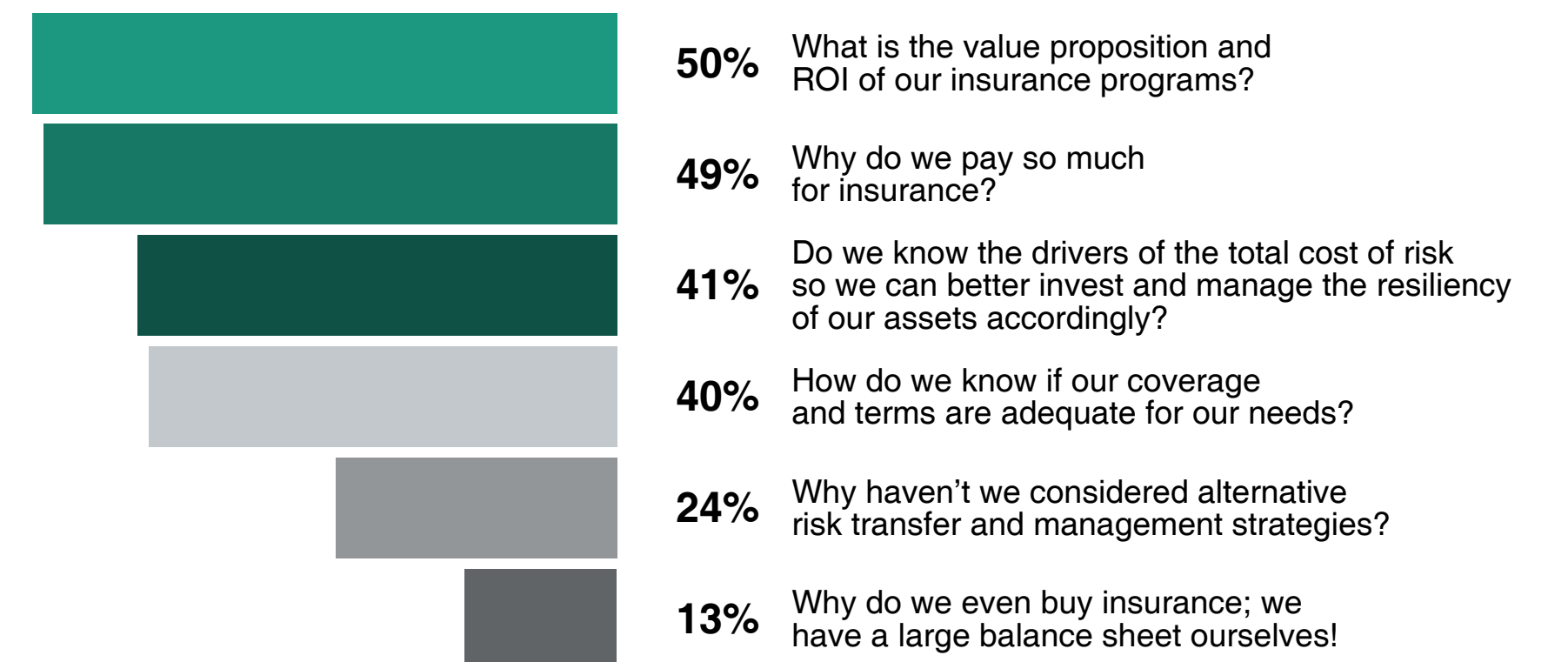
Another said, “Gathering values are a nightmare. We need more automation based on location, square footage and occupancy, and number of seats.”

What Are the Most Difficult Questions to Answer About Your Insurance Program?

For risk managers, a seat at the strategic decision-making table can result in fielding questions about risk and the mechanisms to best manage resiliency. Some questions are more challenging to answer than others. According to the survey, the questions risk managers generally find the most difficult to answer focus on the value proposition and return of investment (ROI) of insurance and the drivers of their total cost of risk (TCOR).



Where Transparency is Lacking Most



Respondents selected multiple answers.

Market Transparency and Insight

Are You Satisfied With Your Understanding of How Insurers Price Your Risk?

There continues to be a significant lack of transparency into how risk managers perceive their insurers underwrite and price their property risks. Mainly, risk managers feel their pricing is often driven by factors that have little to do with them and that they are “lumped in” with others in ways that don’t reflect their differentiation.

“I believe our premiums are more closely tied to losses suffered by insurance carriers in other areas of the United States and not closely tied to our local risk exposure,” said one respondent.

Another respondent wished that “insurers would better differentiate us from others in the industry.”

Another expressed a desire for a better understanding of how underwriting works. “What criteria are they using to make decisions and determine pricing? So many things are black boxes that I don’t get any insight into how they are making decisions.”



Market Transparency and Insight

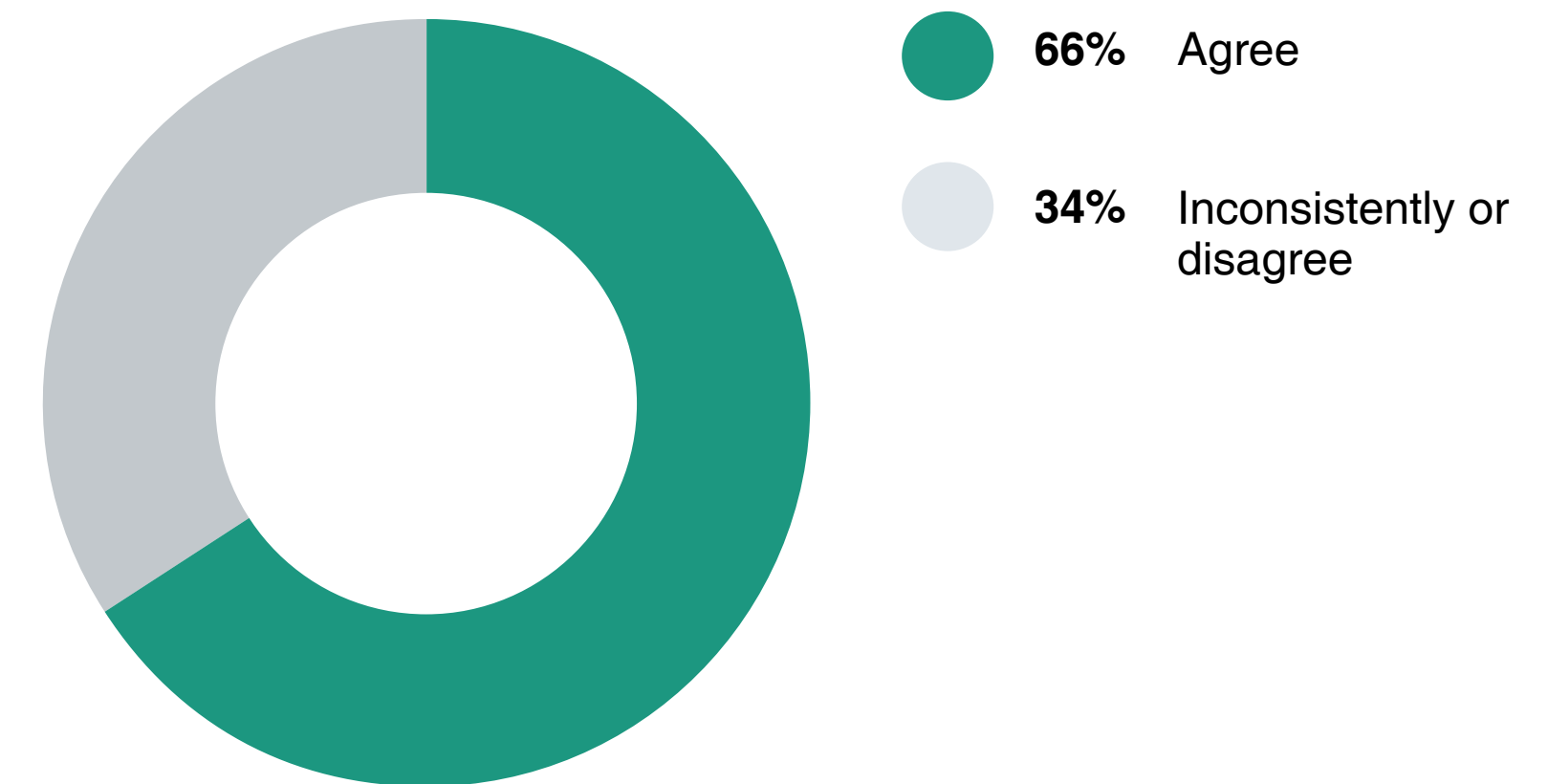
Is the Quality of Your Assets Reflected in Your Terms and Pricing?

Sixty-six percent (66%) of risk managers believe their emphasis on risk management and loss control is reflected in their property insurance terms and pricing. This is up from 57% the previous year.

However, for a substantial 34% of respondents, there remains a disconnect as to exactly what is required to receive preferential rates.

“I would like more feedback on pricing so that I can use the information to improve prevention activities,” said one respondent.

“The steps taken to improve our risk exposure have not shown to help control rising insurance premiums. We have experienced 50% to 100% premium increases over the last several years, while at the same time, we have consistently been increasing our SIR [self-insured retention] to help control those costs,” another respondent explained.



Expert Commentary: Risk Managers Want More Than Just the Coverage



Hemant Shah, *CEO, Archipelago*

“It’s clear from the results that risk managers value and want more transparency from their insurers about how the markets underwrite and price their risk. Not just generalities on the one hand, and extremely detailed reports on a small number of properties on the other, but a “goldilocks” just-right zone of actionable insight on the drivers of their overall risk and the actions they can take to improve their risk. Our experience with our own customers, large corporate buyers of commercial property insurance, reinforce that risk managers are increasingly looking for data-driven insight across their portfolio.”



Sean Ringsted, *Chief Digital Business Officer and Chief Risk Officer, Chubb*

“Yes, we provide coverage that compensates our customers in the event of an insured loss, but our data-driven insights can also help our customers improve their risk profiles and avoid losses in the first place. The traditional client-insurer relationship paradigm has shifted, now aimed at early identification of risk that can prevent potential damage before it occurs. Crucial to this is getting high-quality, detailed, and accurate data from our customers about their exposures. The better the data we receive, the better our ability to reciprocate with actionable insights.”

Market Transparency and Insight

I Understand How My Data Is Used by Insurers and How I Can Improve It

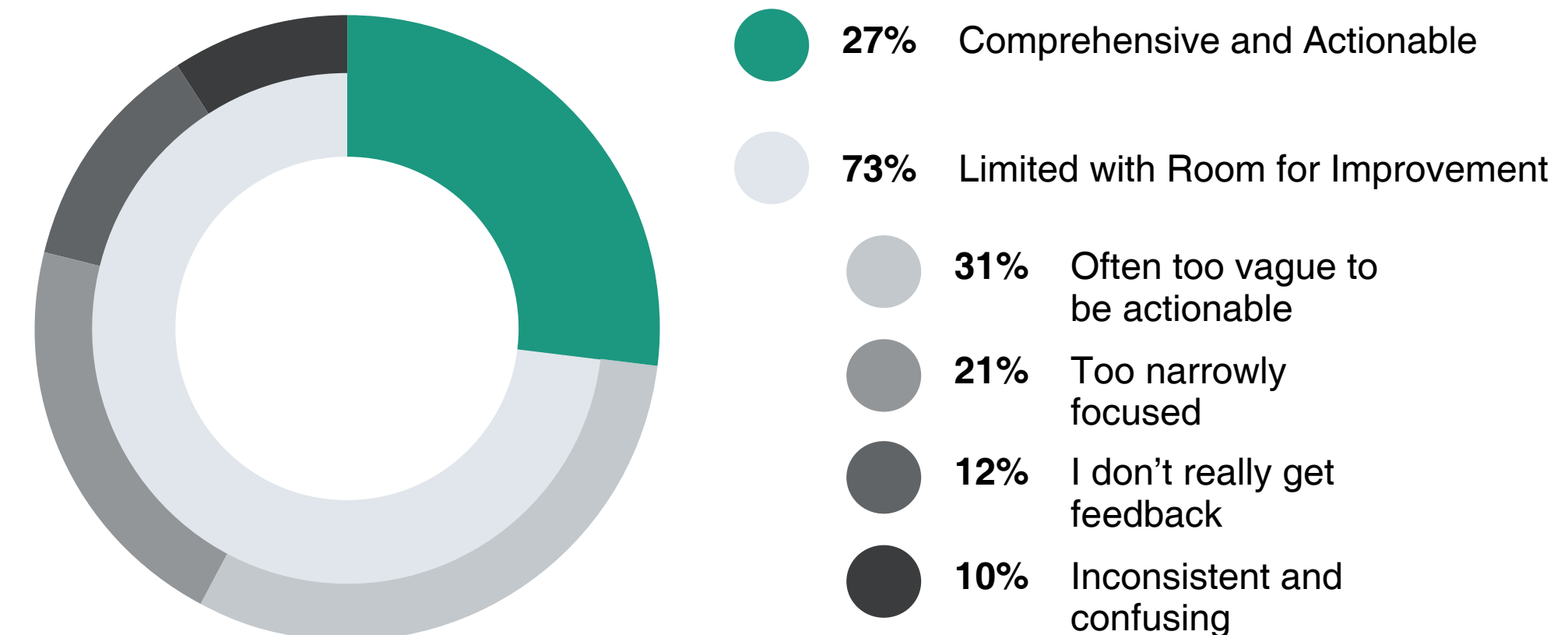
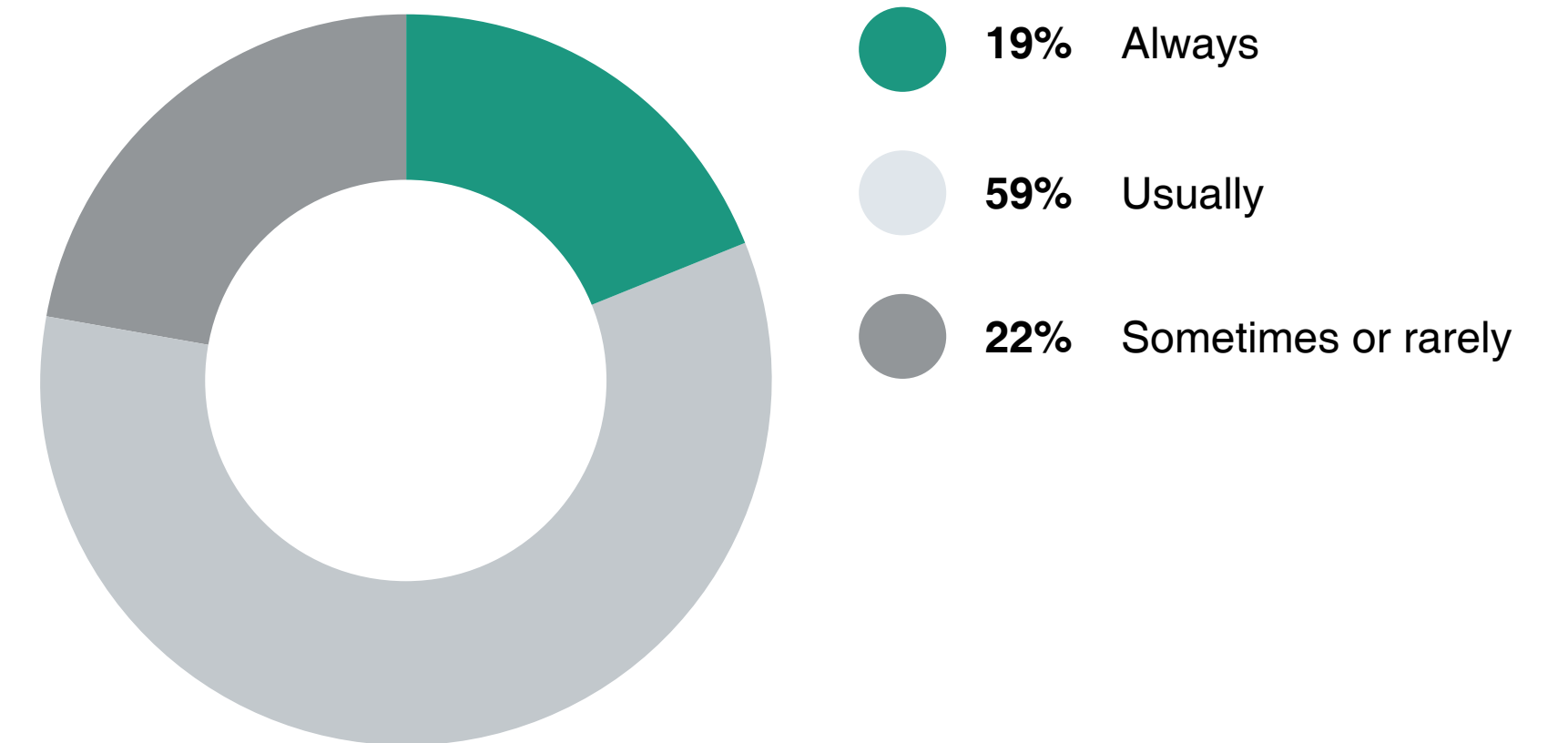
Risk managers generally understand why they are required to provide detailed property data and how underwriters use it to price their risk. But, given the importance of this information and its central role in the process, it is striking that only 19% of the respondents always understand how it's used, how they can improve it and what the impacts are as a consequence of these improvements. This was down 11 percentage points from the previous year, perhaps due to insurers increasing attention to exposure data and valuations.

“Three years ago, the values were fine, and now they are not. All cannot be explained by inflation,” a survey respondent said. “Values should be values, and rate should be rate. Values should not be subject to massive swings in insurance market conditions.”

Another respondent explained, “They ask for this [SOV data] every year, but we do not understand why they need this signed every year with no significant change in exposure. It seems like they send a checklist of boxes to check but have already made up their mind about our renewal well before they get any of this information.”

The Feedback I Get From My Insurance Partner is Limited

Risk managers largely remain unsatisfied with the feedback they receive from their insurance partners to improve their risk profile. Just 27% said the feedback they receive is comprehensive and actionable, a nine-percentage-point drop from the previous year, with a plurality of the concern being that what feedback they receive is often too vague to be actionable.



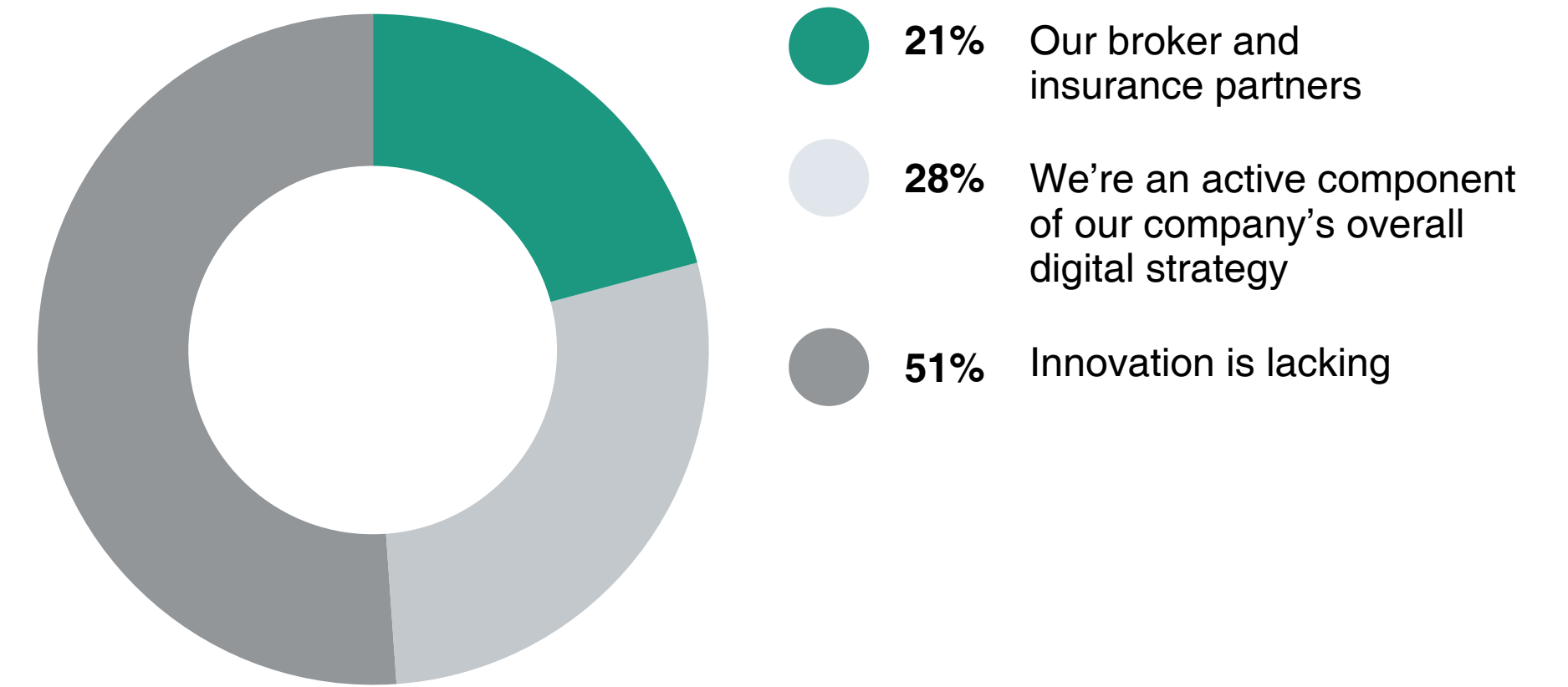
Innovation

What's Driving Digital Innovation in Your Risk Management?

A digital transformation is occurring in businesses across all industries. From revenue creation to product enhancements to transforming business processes, a digital business environment is at the core of most modern business strategies.

For the second consecutive year, the survey revealed risk management is often not included in the business' digital initiatives. In other words, there remains a digital divide between risk management and the strategic digital business initiative occurring in many companies.

Just 28% of respondents said risk management and insurance is an active component of their company's digital strategy, 21% said digital innovation is being driven by their broker and insurance partners, and 51% said innovation is lacking.



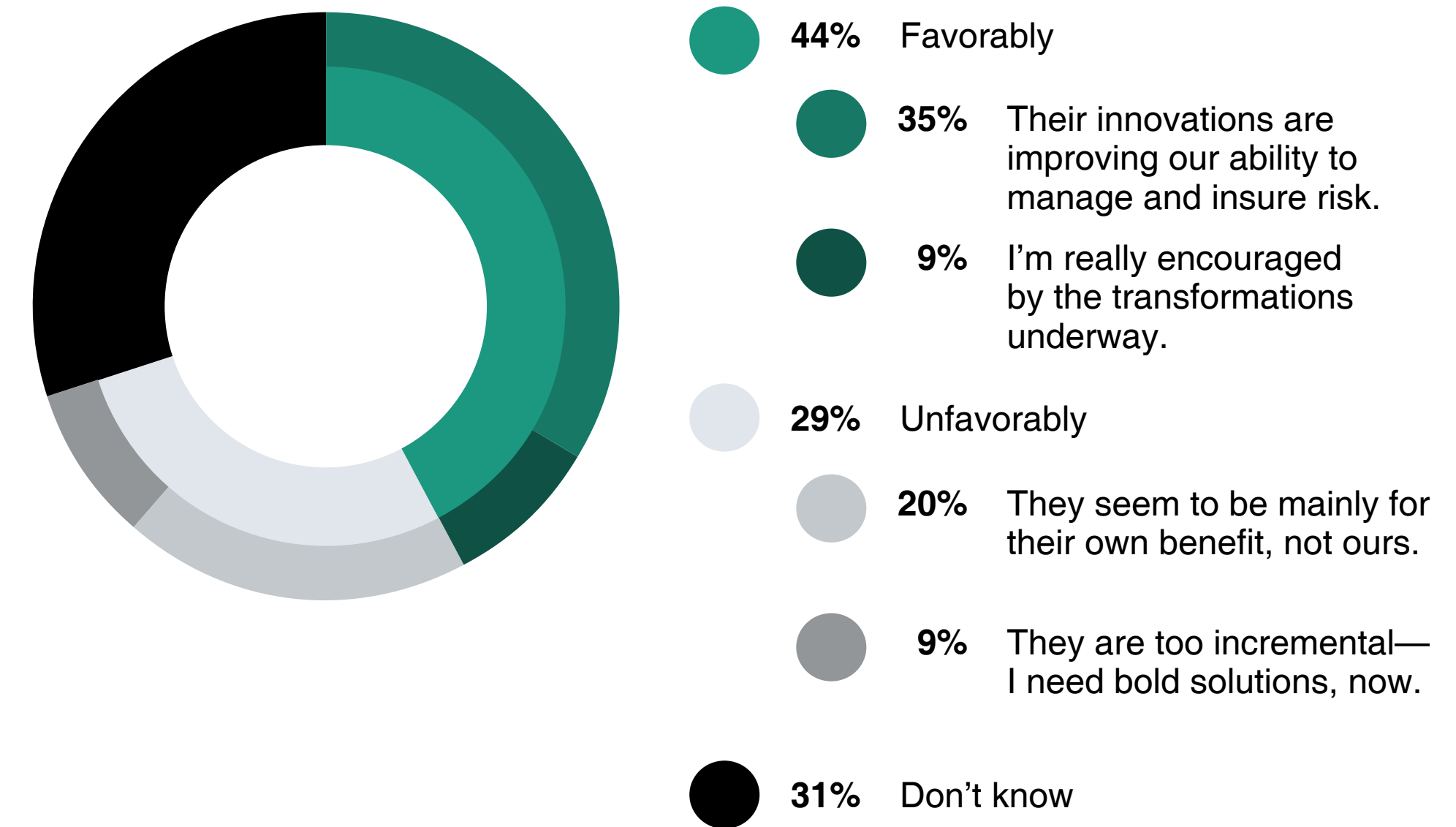
Innovation

How Do You View the Digital Initiatives of Your Brokers and Insurers?

The digital divide creates a significant opportunity for the insurance industry. Instead of digital innovations that are incremental and mainly for their own benefit, brokers and insurers can seize on this opportunity to provide value to their customers through digital innovations that reimagine how business gets done, particularly with large commercial property accounts.

The survey results revealed that an emphasis on customer-focused innovation might be starting to take root as the digital innovations of brokers and insurers are viewed increasingly favorably by risk managers. Forty-four percent (44%) of respondents said their brokers' and insurers' digital innovations are improving their ability to manage and insure their risk, or they are encouraged by the digital transformations underway in the insurance industry. This is an eight-percentage-point (8%) increase from the previous year.

On the other hand, a majority (56%) remain unaware of their brokers' and insurers' initiatives, feel they are for their own benefit or believe they are far too incremental.



Expert Commentary: The Importance of Driving Innovation Upstream



Hemant Shah, *CEO, Archipelago*

“The insurance industry has gotten serious on data-driven, digital transformation. Yet these initiatives often focus on higher volume lines of business, and on improving internal processes that aren’t that visible to the industry’s corporate customers. Many risk managers are experiencing a digital divide between the initiatives happening elsewhere within their company, and the priorities of their insurance partners. There’s a real opportunity here for insurers to close the gap, starting by helping customers connect and act on their own data.”



Sean Ringsted, *Chief Digital Business Officer and Chief Risk Officer, Chubb*

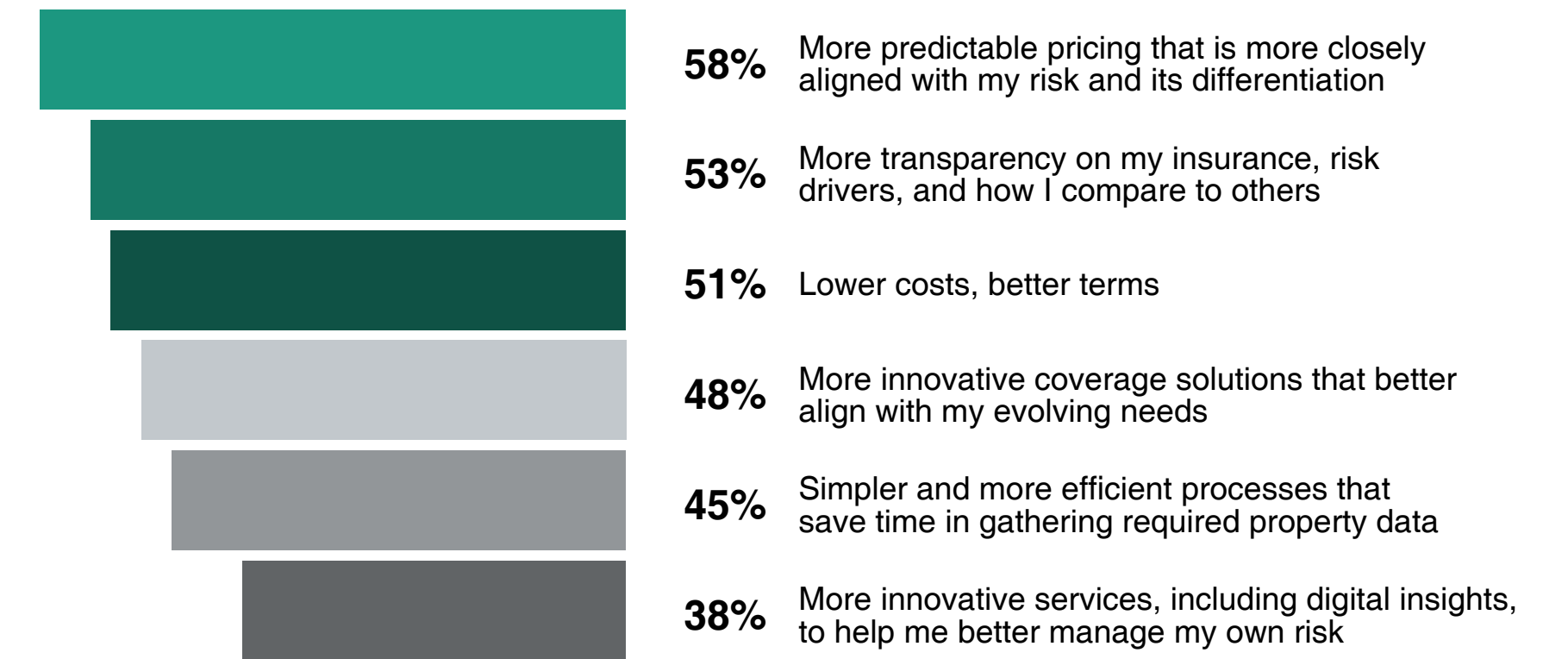
“In today’s world, the significant power of data analytics and machine learning is reality, with insurers gaining an increasingly granular view of risk. Such insights are not only improving pricing accuracy and risk modeling, but also helping insurers and risk managers better understand drivers of risk – and how to mitigate. Additionally, the more interesting digital strategies will be those that use data, artificial intelligence and technology to provide more value to customers, and to anticipate and solve unmet needs.”

Innovation

What Improvements Would You Like to See From Your Brokers and Insurance Industry Partners?

For the second consecutive year, risk managers with large property portfolios would most like to see their insurance industry partners provide more predictable pricing that is closely aligned with their specific risk and differentiation.

Predictability, however, generally also requires a degree of transparency, which is likely why transparency moved up the list to the second spot. Risk managers want to understand how the data they provide influences policy terms and pricing and appreciate comprehensive and actionable suggestions for how they can become a more desirable risk.



Respondents selected multiple answers.

Archipelago invites you to learn more:

[The Impact of Data Quality on Insurance Outcomes - White Paper](#)

Have questions or comments about this report?

Please get in touch at inquiries@OnArchipelago.com.

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