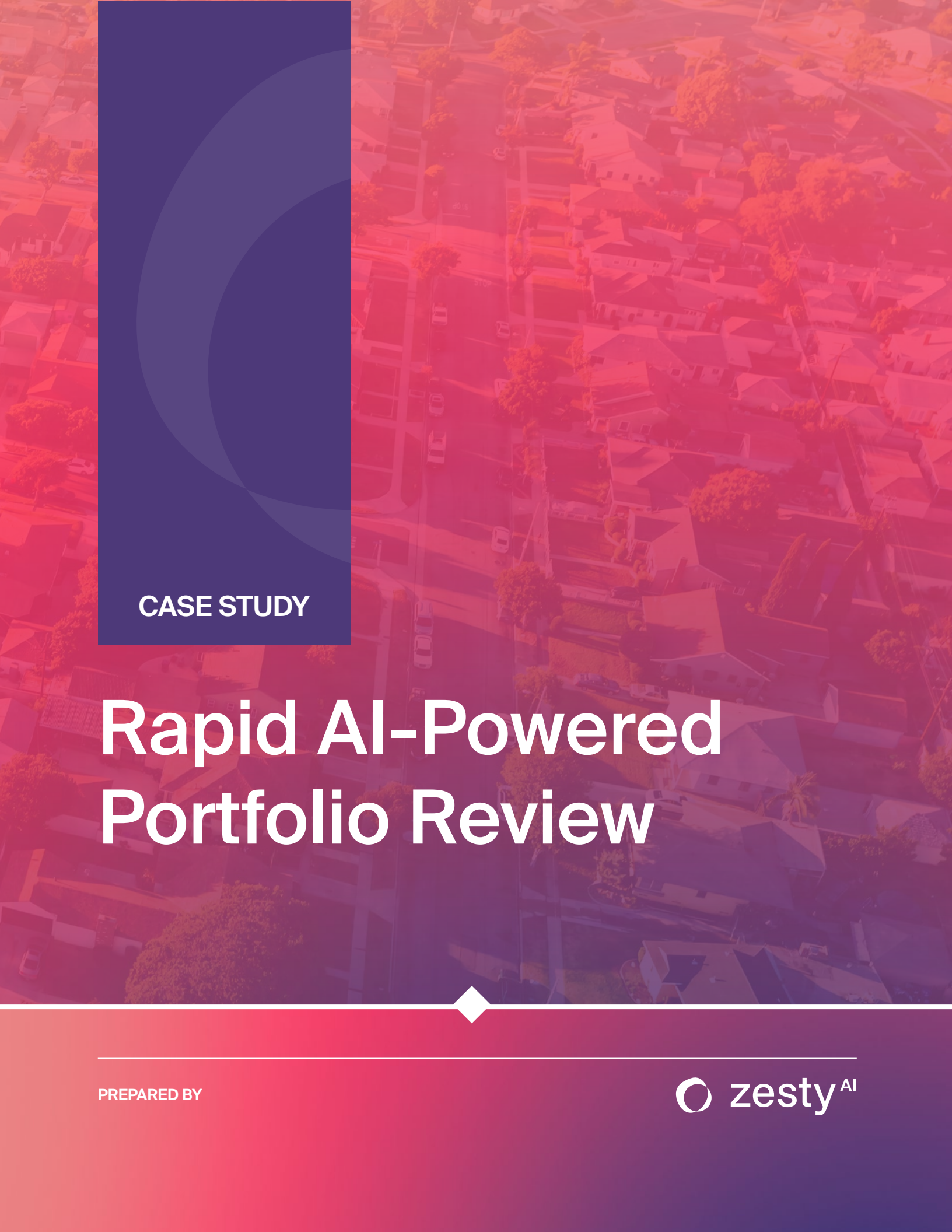


CASE STUDY

Rapid AI-Powered Portfolio Review

PREPARED BY

zesty AI

Rapid AI-Powered Portfolio Quality Review for an Entire Book of Properties

The Zest:

- Carriers know that risk is accruing on their books. Roofs degrade. Policyholders add swimming pools and trampolines. A portfolio review can help identify these changes and help carriers clean up their books.
- The problem is that it takes significant resources to review and confirm the findings of an AI-driven portfolio review to extract the full benefit. And, one-off cleanups don't address the on-going issue.
- A national carrier implemented a sustainable portfolio review process that eliminated the need for additional underwriting resources by pairing an AI-driven solution with a QA and calibration process run by ZestyAI. The process drove a 93% underwriter agreement rate and shortened the review time to under 30 seconds.
- The result: The carrier reduced losses by $47.3M annually, cut their loss ratio by 4.7 points, and has a sustainable process to keep their portfolio clean.

The Challenge:

A legacy book carries several years of past underwriting decisions. In cases of acquisitions or brand consolidations, they are further complicated by sub-portfolios with different risk profiles based on different underwriting frameworks. These complexities make it difficult to address risk systematically, and many insurers choose to carry over old risk assessments long after they lose relevance. This is true even if the risk landscape is constantly changing and affecting the profitability of the policies-in-force.

Every book is different and each insurer has different risk tolerances and exposure requirements. Insurers large and small still make decisions at scale and benefit from technology which quickly finds portions of their portfolio needing attention. Zesty^{AI}, the leading property and climate risk platform powered by Artificial Intelligence (AI), helps insurers identify trouble spots in their portfolios.

Here is one specific example of how the Z-PROPERTY™ Portfolio Review was used to conduct quality reviews to assess risk for an entire book of properties.

Enter a top 10 national insurer that chose Z-PROPERTY™ for automated processing:

Driven by an aging book, this insurer's loss ratio had drastically worsened. A full manual analysis of the entire book through onsite inspection would have identified the risk, but such a resource-intensive approach was infeasible. Instead, the insurer decided to select a subset of properties for physical inspection. Their hope was that they would eventually assess the entire book to the degree required, even though the portfolio would continue to incur losses as they progressed.

The problem they found with this approach is that risk tends to accrue over time. Without proper oversight of the entire PIF, the insurer quickly realized there was little hope for improving their loss ratio, so they began to search for a solution that would help them assess the risk at scale. They knew a chosen solution provider would satisfy a few specific requirements:

- **A tailored approach to risk tolerance.** The approach to book review would need to be personalized to the portfolio, risk tolerance, and business goals of the organization.
- **Excellent hit rate for properties in the book.** A data solution with poor data availability would not be likely to surpass the results of the current strategy.
- **Retention-focused insights.** Letters of repair and notices of coverage modification were preferred to non-renewal, the carrier's last resort.
- **Technological flexibility and minimal IT integration.** Lengthy technology integration cycles would further delay restoring profitability to their book.
- **An efficient process.** The underwriters were a high-performing team and wanted to stay that way. They needed a process to quickly and efficiently review policies flagged by AI to take the appropriate action without adding additional resources.

Z-PROPERTY™ Portfolio Review from Zesty^{AI} was selected to perform the analysis. Thanks to ZestyAI's multi-source approach and partnering with all best-in-class imagery providers, Z-PROPERTY has hit rates nearing 100%. The solution offers specific property details that could be used to retain customers, requires no IT integration, and is fully customizable to the portfolio under review. An additional key consideration for the carrier was that several of Zesty^{AI}'s customers have maintained the highest customer satisfaction rates in the industry, including three of the top five ranked insurers by J.D. Power.

The Strategy:

Stage 1: Define the scope of the review

Missing Shingles

Tarps

- Zesty^{AI} guides the insurer through a defined process to calibrate the review to the insurer's internal risk tolerance. Property features and thresholds are precisely selected according to the calibration.
- In this case, Zesty^{AI} helped the carrier select roof quality (incl. damage and wear), overhanging vegetation, property debris, and home business activities.

Stage 2: Assess the risk of the book

- Given just a list of addresses in the portfolio and a set of decision criteria, Z-PROPERTY™'s machine learning models engage in monthly assessment of soon-to-renew properties, with Zesty^{AI} risk consultants providing a QA of the results.
- The carrier receives full access to the analyzed portfolio via Z-VIEW™ Portfolio, Zesty^{AI}'s user interface. Zesty^{AI} risk consultants provide support for turning the assessment into actions.

Example: Lot Debris

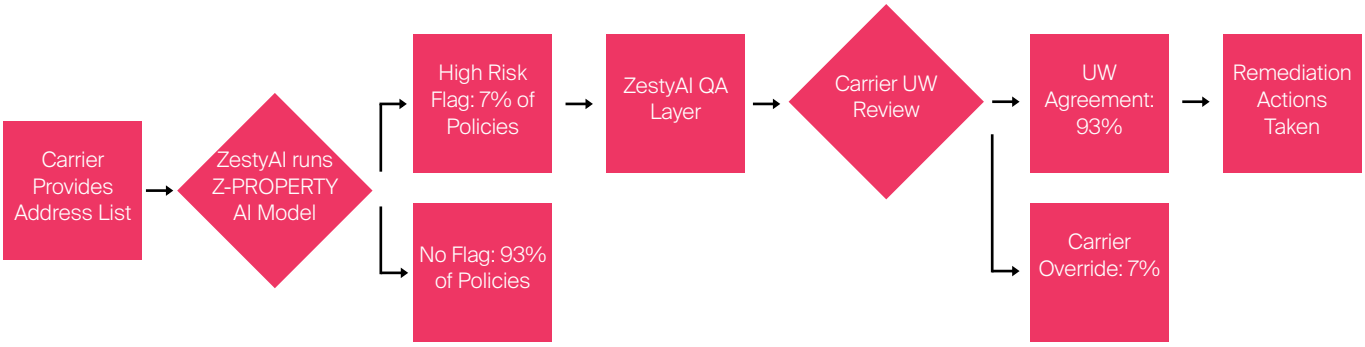
Example: Business Activities

Example: Roof Damage

Example: Overgrown Vegetation

Stage 3: Act on the high-risk policies

- Z-PROPERTY™ provides the underwriting team with a targeted list of policies to review.
- Underwriters can access the selected properties and their associated insights through Z-VIEW™, a convenient online platform that does not require IT integration.
- The carrier was able to shorten underwriter review to less than 30 seconds per property by combining UI of Z-VIEW™ with the policy-prioritizing power of Z-PROPERTY™.
- The carrier saw an action rate on flagged policies of over 90%. One of three actions was taken:
  - Send a letter of repair
  - Send a notice of product or coverage modification
  - Send a notice of non-renewal.
- After these actions are taken, a full IT integration allows the carrier to implement ongoing property monitoring to detect changes or deterioration and apply these standards to new business. Changes are typically addressed each year on renewal.



The Results:

Without having to allocate significant staffing or IT resources, the insurer was able to precisely isolate the small portion of high-risk properties in their legacy book, which represented a loss ratio of over 150%. Targeting these properties helped them avoid $47.9M in annual losses and reduce the loss ratio by 4.7 points according to internal analysis.

At this point, they began to look toward the future. What's next?

It's as the old saying goes: "An ounce of prevention is worth a pound of cure". The key to maintaining the most profitable book is to not only harvest the low-hanging fruit, but to continually analyze properties and address risks as they emerge. Once carriers have conducted a portfolio quality review process, integration of Z-PROPERTY™ both at the time of quote and renewal maintains the integrity of the book. With API integration, the full catalog of property insights available through Z-PROPERTY can be leveraged to understand the risk exposure of every policy, regardless of their position in the policy lifecycle. The carrier is now looking at using AI-based analysis to improve operational expenditures in the claims process.

zesty AI

ZestyAI offers insurers and real estate companies access to precise intelligence about every property in North America. The company uses AI, including computer vision, to build a digital twin for every building across the country, encompassing 200 billion property insights accounting for all details that could impact a property's value and associated risks, including the potential impact of natural disasters. Visit zesty.ai for more information.