

# Leading P&C insurer improves commercial property loss ratio by **18 percentage points** using the Cytora Risk Engine

## The Challenge

Following strong segment growth after the launch of a new product offering, a leading property and casualty insurer began to experience a spike in losses. In 18 months, the attritional loss ratio had risen from 61.4% to 65.7%, reflecting rising rating pressure and a portfolio mix that remained unchanged against a backdrop of fluctuating losses across core segments.

The Insurer needed to validate if the book's experienced losses were a result of short-term deviation or secular more fundamental change and assess how vulnerable their book was to adverse selection from more analytically sophisticated competitors.

## The Solution

### 1. Diagnose

The first step towards improving loss ratio was to use Cytora Portfolio Benchmarking to benchmark the Insurer's portfolio against the wider population's frequency, severity and loss cost, revealing whether performance was in-line, above, or below the average for the total population.

Cytora Portfolio Benchmarking revealed the Insurer's portfolio losses were driven by higher than expected losses in eight segments and made recommendations to shrink or remove these segments from the appetite.

Cytora Portfolio Benchmarking identified six sectors in which the insurer was outperforming the average losses, presenting a signal to grow in these segments.

## Results

- Reduced commercial property loss ratio by 18 percentage points; from 65.7% to 47.7% over the following underwriting year
- Improved submission conversion in target segments by 8%

### 2. Target

The next step was to identify attractive micro-segments for the Insurer to target so that they could set their portfolio strategy.

Cytora Underwriting Micro-segmentation revealed twenty micro-segments as having desirable burn rate loss trends which had reduced by more than 50% over last 24 months, had low volatility in a three-year time span and a market penetration held by the Insurer of less than 5%.

### 3. Implement

After defining the target portfolio mix and outlining segments to grow and shrink, Cytora worked closely with the Insurer's underwriting team to integrate Cytora Submission Scoring and Cytora Pricing Automation into the existing underwriting workflow.

Cytora was integrated into the insurer's IT underwriting systems which were augmented to display Cytora outputs for each submission, resulting in minimal change to the underwriter's process.

Once successfully integrated, Cytora Submission Scoring and Cytora Pricing Automation enabled underwriters to harness information outside of question sets and base risk selection and pricing on market-wide experience.

Cytora Submission Scoring was implemented at the point of quote and renewal, enabling underwriters to determine whether risks were within target appetite instantly, and focus on winning the most attractive risks to enhance submission conversion in tier 1 segments.

### 4. Monitor

To continuously monitor book performance and size as the new strategy was implemented in real time, a tight feedback loop between market trends, portfolio strategy, and on-the-ground underwriting operations was established.

## About Cytora

Cytora is the risk targeting, selection and pricing engine for commercial insurance.

With Cytora, commercial insurers can improve loss ratios by up to 18% while growing premium by as much as 10%. The Cytora Risk Engine - powered by artificial intelligence - simultaneously enhances the accuracy and sophistication of risk selection and removes friction associated with the insurance buying process by replacing questions with thousands of data inputs. Today we deliver underwriting advantage to leading insurers across Europe and North America.

## Contact

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