Tackling Insurance Premiums With Predictive-Based Safety

Insurers are seeing companies use predictive-based safety to sharply reduce recordable incident rates, which enables them to provide lower rates to those companies.

What is Predictive-Based Safety (PBS)?

A safety methodology that uses data to change behaviors by collecting a wide array of project and observational safety data for analysis by AI and / or advanced analytics.

What Are the Insurance Implications of PBS?

Future possibilities with PBS

Data Collection

The predictive models that enable PBS require data from several sources. This includes data you may already be collecting, including: safety observations, safety incidents and other project data.

Safety Observations
• Record positive behaviors
• Identify job site hazards

Safety Incidents
• Near misses
• Property damage
• All injuries and recordables

Other Project Data

The more data an AI has to work with, the more accurate the results. Even data such as staffing levels and weather information can yield surprising insights.

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Data Transparency

Many organizations are not used to full data transparency so it’s critical to manage expectations. If management reacts poorly to the data or the results, people will be hesitant to report hazards or incidents, which will spoil the data and make PBS ineffective.

Prediction Deployment

The outputs that come from a predictive model take two forms:

Organizations have to act on these insights to produce results. Establish a process for taking action to prevent incidents before they occur.

Risk Identification

“What jobs are most at risk of an incident?”

Prescription

“What should I do to reduce that risk?”

What Are the 3 elements of a PBS program?

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What Has Caught Insurers’ Eyes?

Adopters of a PBS have seen:

86%

60%

improvement in prediction accuracy rate

corresponding reductions in the occurrence of recordable incidents

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What Are the Insurance Implications of PBS?

Traditional Premium Determination

Others similar to you:

• Previous Losses
• Experience Modification Rating (EMR)
• Safety Practices

NCCI

Standard Rate

Assessing actual risk versus past risk may allow insurers to:

• Provide lower rates
• Allow insurers to better predict future results in their underwriting
• Provide more personalized customer service
• Streamline the claims processes

A “better run business is going to result in fewer issues and there should be rewards for that—through underwriting, through rates and through customer service, and the opportunities to provide insurance.”

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