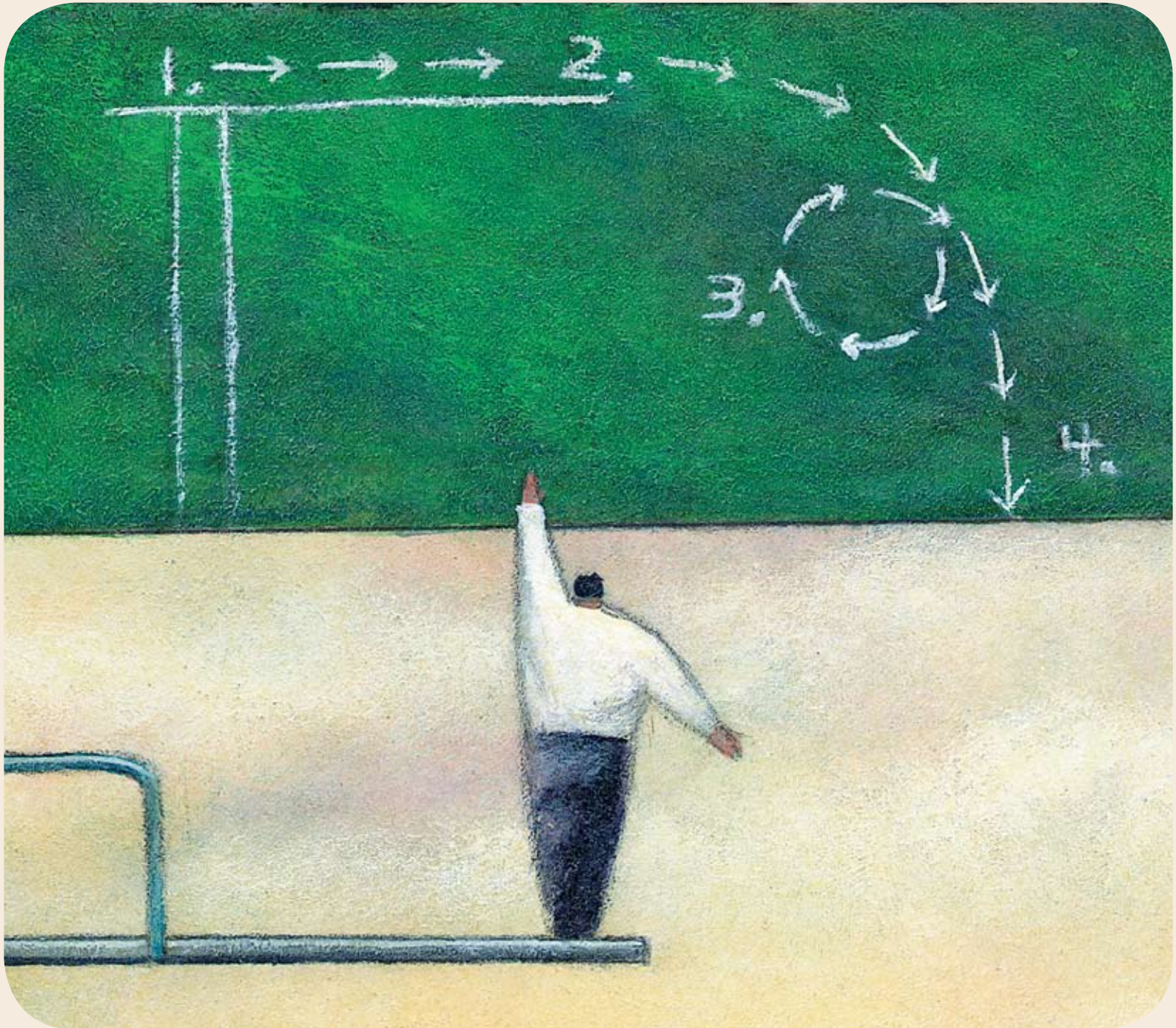


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THINK BIG

BY: Mark B. Gorman

Anticipating Enterprise Utilization of Business Analytics

I'm sometimes asked for advice from organizations moving forward with new business analytic initiatives, and I share what I learned from a client. "Think big," they said, "but start small and show value." Now that utilization of business analytics is more widespread in the insurance market, there is an emerging movement toward enterprise rather than line of business planning. So what is meant by "think big?"

Exhibit 1 is a visual used when discussing the range of business analytic capabilities in the marketplace—a beginning for thinking big. While the visual does a good job of outlining and at some level even defining the different business analytic capabilities in the market, I've found it requires a bit of explanation in describing what I actually see market leaders doing with business analytics.

For example, the organization of the visual implies that from an enterprise perspective there is a hierarchy that is followed in adopting business analytic solutions. The implication is that an organization enters by implementing ad hoc reporting and then evolves by applying additional capabilities toward optimization solutions. The reality is that organizations can and do start at different levels, depending on organizational imperatives. As a matter of fact, in a survey of nearly 20 organizations currently actively utilizing multiple business analytic capabilities, only one of them actually started with ad hoc reporting and moved on to dashboards and then profiling and segmentation. All of the others started at some other point along the hierarchy of business analytic capabilities. Personal lines auto insurers are utilizing predictive analytic solutions for pricing precision—regardless of whether they do forecasting or even provide management dashboards. A life carrier I visited with started first with customer profiling and segmentation in order to support new product development. And another carrier was interested in forecasting both product demand and resource requirements—without a good method of easy ad hoc reporting. The starting point for each organization was determined by their

business imperatives of either increasing organic revenue, expanding distribution channels, decreasing operational expenses, reducing claims severity or improving customer service. But by focusing only on that current imperative, it's easy to lose sight of the bigger picture.

Additionally the visual implies that adoption of the business analytic capabilities is at some level unique and exclusive. An organization can adopt dashboards at an enterprise level without consideration of profiling and segmentation or predictive analytics. However, the division between the different capabilities is less distinct in actual practice. For example, most organizations go through a profiling and segmentation exercise on their current book prior to developing a predictive analytic solution that provides greater pricing precision for new business. Dashboards are often measuring and

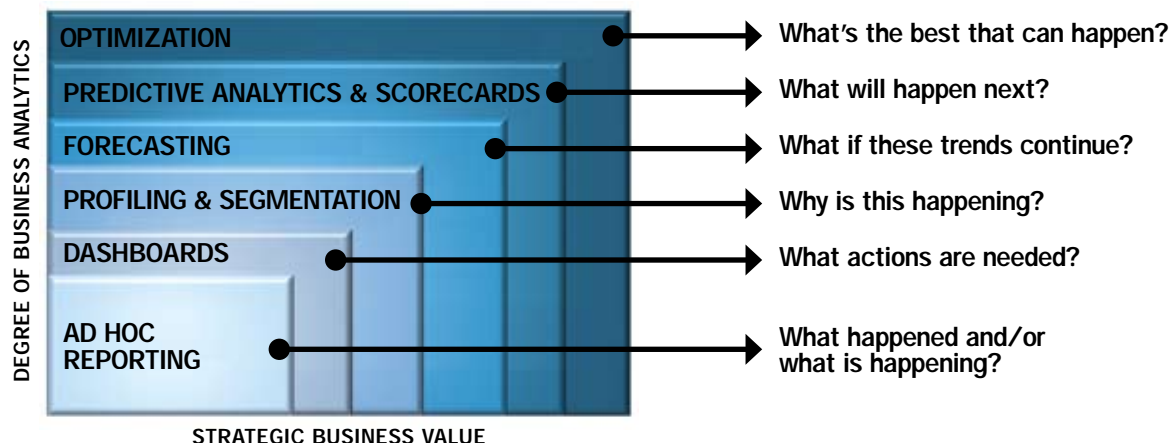
reporting on metrics developed through analysis for some other capability like claim segmentation and profiling based on adjuster, territory, type of loss, etc. Predictive analytic solutions for underwriting often generate automated decisioning environments that require dashboards and reporting solutions to monitor overrides and scorecard characteristic performance. Also, since most optimization in insurance is constrained in some way or another (for example, by limitations on regulatory approval, resource allocations, or investment limitations), optimization applications are often comprised of multiple predictive models that are deployed in real time during a transaction (a customer offer might include product preference, channel preference, product profitability, and customer profitability models in order to determine best offer).

My research confirms that the reality is that once an organization applies one business analytic solution, they end up on a road to utilizing nearly all of the others. The question isn't one of "if" but of "when." As pointed out above, investment in predictive analytic solutions often impels an organization to some form of dashboards, encourages better segmentation and profiling based on emerging changes to the portfolio, supports forecasting initiatives relative to resource utilization and transaction volumes, and may even support optimization efforts based on an insurer's market position and business imperatives. Once senior managers get exposed to the value of greater visibility and transparency that these capabilities provide, the incentive is to continue to expand business analytic capabilities. And as one of my interviewees said so succinctly, "once an organization gets a taste of successful business analytic solutions, there is no going back."

So while it is understandable that an organization "starts small" by adopting a business analytic solution that meets a current business imperative, the ability to "plan big" is important for streamlined enterprise adoption. Seeing the current business analytic solution in the context of other potential needs, and anticipating how the solution will drive additional analytic capabilities will help in the strategic planning process, support rapid adoption by other business or functional units, and assure the appropriate acquisition and development of internal resources required for enterprise level support. And that will support the agility required of the enterprise to compete in a changing marketplace. ■

Mark B. Gorman is CEO and Founder of The Gorman Group, a research and consulting firm focused on the adoption of data based decision support and business analytic solutions in the insurance market.

Exhibit 1





American Safety Insurance (ASI) Gains Business Insight with iPartners

Like many insurers, specialty insurance company American Safety Insurance (ASI) was challenged with finding a way to get a consolidated view of the business in order to most effectively manage, improve, and grow.

Disparate systems to support the various product lines and processing functions didn't lend themselves to sharing data and providing consistent reporting and analysis. As a result, ASI was left to rely on extracting data from multiple locations, compiling from multiple reporting systems, spending time on reconciliation, and utilizing manual processes and spreadsheets to try to get the detailed analysis necessary to make the decisions for continuous improvement. It's a familiar story heard around the insurance world, but ASI chose to do something about it.

Looking to Business Intelligence

Given the challenge, ASI's president and COO Joe Scollo embarked on an initiative to bring business intelligence (BI) technologies into play. While building the solution themselves was a consideration, ASI concluded the build approach would be cost prohibitive. The ongoing maintenance costs and the learning curve required made the build option even less attractive. Recalling a conversation a few months earlier with an interview candidate who had suggested ASI take a look at Atlanta based iPartners, Joe reached out to learn what the business intelligence solution provider had to offer.

Not only did iPartners offer the business intelligence know how, their focus on and experience in insurance proved a good fit for ASI. Given that iPartners offers its Insurance Scorecard business intelligence solution via a Software as a Service (SaaS) delivery model, ASI found the attractive cost, maintenance free approach, and quick implementation to be key attributes which contributed to the iPartners decision. After conducting a Proof of Concept, ASI moved into a production environment in 2006 with iPartners' Scorecard with iPartners receiving data feeds from all of ASI's systems.

Gaining insight

Preston Starr, vice president of ASI's Environmental Division, may have summed the implementation up best, commenting, "When it came to the implementation, iPartners did all the heavy lifting. They asked our IT folks to give

them access to the data and they took it from there. As we worked through the implementation and learned more about the tool and what we wanted the dashboards to look like, we would change things on the fly. The iPartners team was always very accommodating and made sure it was right and would fit our need. We had originally planned to use the iPartners solution for underwriting, but as we became more familiar with the capabilities it became obvious that the entire operation could benefit."

iPartners founder and CEO Bob Lasher noted, "The ASI management team not only sponsored this project, but provided leadership support and direction throughout the entire effort. Joe and his team embraced the project with a lot of enthusiasm, commitment and a good understanding of their goals and objectives."

The first two ASI products to be implemented with the iPartners Scorecard were environmental and primary casualty. "We learned a lot with this initial implementation," noted Joe Scollo. "In the past we were looking in the rear view mirror to try and manage the business. Today, with the iPartners system, we can be on the forefront of decisions and more proactive in managing the business and driving growth. One of our primary uses of the system is to obtain profitability views of our business. We can analyze loss ratios by product, broker, underwriter, and over periods of time. We can look to see which products, distribution channels, geographic areas are doing well and identify those that need improvement. Given the flexibility of the tool, we can do the deepest of dives into the data and look at it any way we want."



The Goal: Obtain a consolidated view of the business in order to most effectively manage, improve, and grow.

The Answer: Selected the iPartners Insurance Scorecard business intelligence solution after a successful Proof of Concept.

The Result: iPartners used throughout the entire ASI organization – executives, management, underwriters, actuaries, claims, marketing, finance and accounting.

The Benefit: Reporting and analysis with the click of a button, providing actionable insight into ASI's business for improved profitability.

Environmental was the first to go live with the iPartners system. Starr recalled, "We were the first at ASI to use the iPartners system and we couldn't have been more pleased. We were able to analyze and dissect the environmental business to determine which segments were the most profitable, which were growing, what partners were bringing us the best business, and where we needed to focus our attention. We now have an insight into our business that enables us to spend our time managing and making decisions, rather than gathering data. The methodology we used in the Environmental Division was applied to the other lines of business as ASI continued to expand our use of iPartners."

Driving use from the top down

Key to ASI's success with iPartners and business intelligence was adopting the technology and driving its use from the top down in the organization. Having told his management team that they were going to monitor and discuss metrics in his monthly meetings, Joe recalled, "the only way they could get the detail and analysis for our discussions was to utilize iPartners. Since that time, they have learned the power of BI and use iPartners on a daily basis as an invaluable management tool. Today, iPartners has been adopted throughout a significant portion of ASI's organization and is being used not just by our management and executive teams, but by our underwriters, actuaries, claims group, marketing, as well as finance and accounting."

"The data gathering, reporting, and analysis that would have taken us weeks to do in the past – if we were able to do them at all – now take only a click of a button with iPartners."

Preston Starr vice president of Environmental Division, ASI

Joe continued, "And as we learn more and more, we continue to find additional opportunities to leverage iPartners and business intelligence. Once you have the tool and capabilities, you discover even more ways to apply business intelligence. As we dig deeper into the data we just keep discovering new and actionable information. Its use is almost contagious – the more you learn, the more you want to keep digging, analyzing, and reporting."

"The data gathering, reporting, and analysis that would have taken us weeks to do in the past – if we were able to do them at all – now takes only a click of a button with iPartners," added Starr.

For many at ASI, getting onto the iPartners system is the first thing they do to start off the work day. The system provides metrics for ASI's claims department and line of business managers. Users can drill down to get to product detail for submissions, quoting, and premium volumes by underwriter, broker, or state. ASI's actuaries are building intelligence to easily monitor rate changes, trends in rates, and see what impact a change will have on a book of business. ASI can track virtually anything related to the business – number of submissions, quote ratio, renewal retention, combined ratio, profitability summaries, producers, year-by-year analysis, and claims detail. By setting benchmarks in the iPartners system, ASI continually measures the state of the business and makes informed decisions relative to products, pricing, producers, profitability and markets.

"Today, with the iPartners system, we can be on the forefront of decisions and more proactive in managing the business and driving growth."

Joe Scollo president and COO, ASI



Since the initial implementation for environmental and primary casualty product lines, the use of iPartners has expanded to include ASI's program business, products liability and excess lines with its surety, healthcare lines of business currently in process.

ASI has also been hard at work replacing core processing systems. They have completed implementation of a new claim system with Guidewire and are in the process of replacing the legacy underwriting system. While ASI focused its IT resources on the core system replacement projects, they could continue to rely on iPartners to keep the business intelligence project moving forward and on track – yet another benefit of a SaaS delivered solution.

Through all the legacy replacement going on behind the scenes, iPartners has been able to easily handle the transition from the old to the new systems while making the changes transparent to the ASI users.

More than technology

"The use of iPartners and business intelligence has been a culture shift for our entire organization, but a very positive shift," noted Scollo.

iPartners' Lasher added, "While the underlying technology is the enabler, the objectives and results remain focused on the business. As a SaaS solution provider, iPartners' success is closely tied to the ongoing success of our customers. We offer clients like ASI not just a technology, but our years of industry experience, best practices, and a committed hands on team."

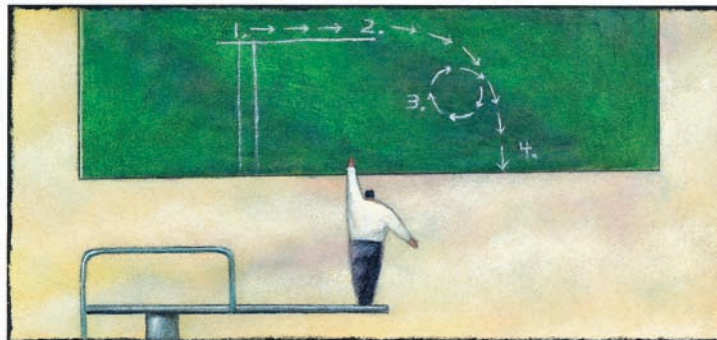
"iPartners has been fabulous as a partner in helping us achieve our business goals," said Scollo. "When you make a decision to work with a company like iPartners with a SaaS-delivered solution, you need to assess more than the technology – you need to evaluate the team and the partner company's values and goals to make sure you have good synergy for the long haul."

"It is gratifying to see the enthusiasm ASI started with three years ago is still there and continues to drive the expanding use of business intelligence throughout the entire organization. We appreciate the opportunity to continue our work with ASI and look forward to a long and mutually successful relationship," concluded Lasher. ■

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BUSINESS INTELLIGENCE AND ANALYTICS



Q&A



iPARTNERS™
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Bob Lasher
iPartners founder and CEO

How can an insurance carrier apply business analytics to their organization?

Where there is data there is opportunity for analytics. So, virtually any area in an insurance operation could benefit. In claims—monitoring case loads, frequency, severity, reserve development—with the goals of reduced losses, streamlined processes, improved customer service. In underwriting—analyzing business segments, what's profitable, where improvements can be made. How are producers or marketing initiatives performing?—policy counts, renewals, submissions, quotes, productivity, growth. There are endless possibilities once you start looking inside the data.

What are the challenges/successes in developing customized business intelligence or predictive analytic solutions?

The biggest challenge is getting the data right and the right data. And, with data typically strewn across multiple disparate legacy systems, getting one quality version of the truth is often an issue. Once the data integrity and multiple versions have been worked through, getting agreement on how data should be calculated in the analytical system requires consensus. Designing an effective data model requires experience, and user acceptance of analytics comes through use and experiencing the value firsthand.