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Location intelligence: changing the competitive game for insurers

From day one, data has been the insurance industry's lifeblood. It doesn't matter if you are talking about making the best underwriting decisions for large commercial properties/risks or how to boost the number of auto insurance customers or how to grow the long-term disability customer base, it takes the most accurate, timely data to build the bottom line.

Today, with insurance industry-rattling events such as 9/11 and Hurricane Katrina in the rearview mirror (but still fresh in the country's collective memory), insurance carriers can no longer rely on antiquated, clunky Excel spreadsheets or outdated strategies such as using ZIP code tables as a key variable in taking on risks, determining premiums, or targeting new markets.

Insurance carriers that want to sharpen their competitive edge (or even just stay in business) are seeking a more sophisticated level of data analysis as input for critical decisions - the type of understanding and insight that is possible through the fast-growing use of comprehensive location intelligence that links new and existing data to precise physical coordinates.

"Just like location, location, location has long been the real-estate industry mantra, for property and casualty insurers trying to manage concentration of exposure in a post-Katrina age, a new axiom might be location intelligence, intelligence, intelligence," says Bill Sinn, Strategic Industry Director, Insurance Practice, at Pitney Bowes Business Insight (www.pbinsight.com), a leading software company that provides location intelligence technology, end-to-end customer communication management solutions, and data management applications for insurance carriers. (The company is a division of the \$5.6 billion dollar mailing solution giant -- Pitney Bowes Inc.)

Location intelligence has, in fact, been an essential analytical risk management tool for actuaries during the past decade. But today, next-generation catastrophe management initiatives are integrating location intelligence into real-time underwriting processes. The goals of these efforts, Sinn explains, are to optimally manage risk exposure, reduce expenses, and ensure financial stability.

"It's primarily about the migration of location intelligence processes from analytical to operational uses, and capitalizing on the critical role location intelligence can play in catastrophe management and other business-critical insurance industry processes," Sinn says.

More and more, Sinn adds, insurance carriers are turning to location intelligence providers like PBBI to help them weather the storm of risk and uncertainty. Pitney Bowes' leading location- and communication technologies provide new insights into the marketplace and improve strategic decision-making capabilities.



"The idea is to help insurers minimize risk; more importantly, help them boost efficiency and maximize profitability in a variety of ways," Sinn explains. To do that, PBBI delivers powerful mapping software, comprehensive industry datasets and professional services so that corporate risk managers, underwriters, actuaries, claims managers, marketers, and IT professionals are able to make their insurance companies more competitive and profitable.

Sinn lists some of the ways in which location intelligence can help insurers make better decisions:

- Assess portfolio risk aggregation and exposure
- View policy addresses in proximity to risk factors
- Analyze and visualize total financial exposure to events
- Manage reinsurance treaties and geographic risk

At the same time, location-intelligence technology can improve claims processing and customer service, mainly by analyzing prospective claims in areas threatened by disasters, planning claims service resources based on projected need, and deploying claims personnel – quickly and efficiently – when disaster strikes. Location intelligence tools can help create more accurate rating territories, set competitive pricing with detailed risk segmentation, and ensure policy premiums accurately reflect true risk.

Other key areas where location intelligence can have a major impact include automating tax jurisdiction determination and managing ever-changing district boundaries for accurate premium assignment. It can also enhance communication to improve customer satisfaction and increase loyalty.

For example, PBBI's technology can help insurers create and deliver real-time interactive communications with customers anytime, via any channel, and ensure the standardization of content and branding for personalized communications in a variety of ways, including email and SMS (text messaging).

Catastrophe losses: Much at stake

For property and casualty insurers, the disastrous hurricanes in 2005 had a historic impact: \$62 billion in insured losses were reported in the United States – 125 percent higher than in 2004, which set a short-lived all-time loss record. For 2009, the Insurance Information Institute reports (based on Munich Re data) that insured natural catastrophes losses in the United States totaled \$11.1 billion for 2009, less than the 1999-2008 average of \$24.5 billion. For 2010, experts are already predicting another rough year for named storms.

Implementing best-in-class catastrophe management for natural or manmade events, in fact, has become one of the most critical strategic business drivers for the P&C industry. And location intelligence can play a major role in delivering best-in-class results.

“There are infinite possibilities for capitalizing on location intelligence in the insurance industry” says Deb Smallwood, an analyst and founder of Strategy Meets Action (www.strategymeetsaction.com), an insurance advisory firm based in Boston.

Smallwood says recent SMA research indicates that insurers are placing significant emphasis on the quality of their data, as they have long recognized that accurate, current, complete, available data is imperative for success in building and growing a profitable business.

“The ‘new’ news is that the rapid explosion in information and communication technologies combined with modern architectures that make it easier to incorporate tools, engines, and data into existing work-horse applications are enabling insurers to leapfrog in the competitive game,” says Smallwood.

She says it's “absolutely imperative” to have accurate and complete data.

For example, she explains that the need is obvious in areas like underwriting. Historically, underwriters have had to operate on the assumption that the data is clean and complete. Unfortunately that is often not the case.

“Location intelligence is of great value to the individual underwriter,” Smallwood says. “It helps ensure the accuracy of the underwriting decision and the calculation/negotiation of an appropriate price.”

She adds that the literal visualization of specific risks and groups of risks in relationship to other risks provides very sophisticated portfolio management competence. But the value does not stop there. In aggregate, thorough location insight is critical to setting business strategies, honing marketing efforts, and developing new products.

“Beyond underwriting, the possibilities are vast,” Smallwood says. “Location intelligence sits at the heart of truly effective management of critical claims management and catastrophe planning and response, often making a notable impact on the bottom line. Inventive users are finding new ways to integrate location-based data into product parameters and contract provisions.

“Just as safety engineering paved the way for new approaches to coverage and risk management many years ago, location intelligence sits at the core of innovation in insurance today,” Smallwood adds.

While PBBI offers a variety of solutions in claims and underwriting, its location intelligence solutions can make a difference in other key insurance areas as well. For example, personal lines carriers looking to grow customer bases in areas such as auto coverage or life/disability insurance can use location intelligence to achieve that objective.

Right now, PBBI is working with a large national carrier using Web-based technology for direct marketing or direct mail campaigns among agents. PBBI's location intelligence-based solution can give agents and brokers the ability to do more precise targeting via a user friendly, dashboard-type web interface.

“Often, when agents are prospecting to grow their book of business, they might use some simple filtering, say people within 10 mile radius of a zip code,” says Hal Hopson, managing director, Industry Solutions, at PPBI. “Using location intelligence through PBBI, they have an excellent prospecting tool that gives them the ability to do very sophisticated, granular target marketing with little or no training.”

Hopson sites an example of an agent using a simple filtering tool in Manhattan who might come up with 200,000 people to market to, but doesn’t have the budget because he or she intends on sending out just 2,000 marketing pieces.

“They usually pick 2,000 people at random, so they are not getting the maximum value for their efforts,” he says.

PBBI’s comprehensive location intelligence tool requires a minimal data input (primarily location and product line) to deliver different profiles for each business line.

“A carrier can profile all of their customers, or agents can upload their customer list and we can use either to deliver highly targeted results for the agents,” Hopson says.

PBBI, in fact, has data systems that can deliver 75-90 categories that describe households, and then use that data to help agents maximize their marketing dollars – all with a user friendly browser-based approach.

“Today, carriers and their agents are making decisions without the best data and knowledge,” Hopson says. “So they are wasting time and money. The online experience is totally different. You get the best possible marketing data, much more quickly.”

Hopson adds that with many agents, marketing takes a backseat because they find it so challenging, but it is such a critical success factor, it can’t be ignored.

PBBI’s Sinn says Pitney Bowes has been helping insurance industry clients for years, but recently the company has begun to add more and more critical location intelligence-based options.

“Whether it is claims, underwriting, customer service or sales and marketing, location intelligence can play a key role in ensuring success,” Sinn says. “We’re really poised to keep adding to the list of ways in which location intelligence can make a major difference in profitability for our insurance industry clients.”

Today, Pitney Bowes’ leading location- and communication-technologies are providing new insights into the marketplace and improving strategic decision-making capabilities.

For more information about Pitney Bowes Business Insight, visit www.pbinsight.com.

Risk & Insurance®
747 Dresher Road
Suite 500
Horsham, PA 19044