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Message from the Past Chair — Changing of the Guard

by David L. Mowrer, CPCU, CLU, ChFC, ARM, AIM, AIT

David L. Mowrer, CPCU, CLU, ChFC, ARM, AIM, AIT, has worked in auto claims with State Farm for 35 years. He joined State Farm after graduating from Washburn University in Topeka, Kan., with a bachelor's degree in business. Mowrer earned the CPCU designation in 1990. He has been active in the CPCU Society Central Oklahoma Chapter, having served as president, vice president and treasurer. Mowrer was a member of the CPCU Society's Intra-Industry Committee and the Sections Web Site Task Force. He is currently serving a three-year term as chair of the Information Technology Interest Group Committee.

My "Message from the Chair" this time does not have any words of wisdom or interesting facts, but is meant as a simple parting "thank you." My term as chair of the Information Technology (IT) Interest Group Committee ended at the close of the CPCU Society Annual Meeting and Seminars in Las Vegas.

It is hard to believe three years have passed since I chaired my first committee meeting. As I write this, my "swan song" article, I am thankful for committee members who have served with me. Their skills and willingness to serve made my duties as chair much easier. Among those I would like to thank: editor Celeste Allen, CPCU, CLU, ChFC, FLMI, for developing our wonderful newsletters; webmaster Peter Laube, CPCU, for keeping our website looking sharp; and the committee members who helped develop and participate in the seminars presented at the annual meetings. I also want to thank our IT Interest Group members — for, without their help, we would not have obtained gold in the Interest Group Circle of Excellence these last three years.

I have heard it said when one door closes another door opens. As the IT Interest Group enters its next chapter, I cannot think of anyone more capable to lead you than your new chair, Cory L. Heim, CPCU, CLU, ChFC. I know you will enjoy working with him.

It has been an honor and a pleasure to serve and work with you. I leave with many wonderful memories. Thank you. ■

What's in This Issue

IT Is 'It'

by Cory L. Heim, CPCU, CLU, ChFC

Cory L. Heim, CPCU, CLU, ChFC, is a manager in the Systems Department at State Farm in Bloomington, Ill. He has held management responsibilities in various areas of information security over the past eight years, and currently manages a unit providing border protection and integrated encryption services. Previously, he was an audit manager for a global public accounting firm. Active in the United Way of McLean County, Ill., he currently serves as chairman of its Community Impact Cabinet and as a member of the Board of Directors.

I remember as a child playing the game of tag and being tagged "it." We also can be tagged "it" in our adult lives, such as being asked to consider chairing the Information Technology Interest Group Committee. I consider it an honor to have been asked and will do my best to live up to the challenge of being "it." I want to extend a sincere thank you to our outgoing committee chair, **David L. Mowrer, CPCU, CLU, ChFC, ARM, AIM, AIT.** He has done an excellent job of leading the interest group for the past three years and leaves big shoes to fill. Please join me in thanking him for his leadership and commitment to our industry and our interest group.

Like in the child's game, the insurance industry has tagged information technology (IT) as "it." This is not child's play, however, as IT solutions are playing an increasingly important role in our industry. Even with the current rough economy, companies in the insurance industry are committing to increased spending on IT. According to a report, "IT Spending and Staffing Benchmarks 2011/2012" released by IT research and advisory firm Computer Economics, median spending on IT operations is rising 5 percent in the insurance sector, which is well above the median 2 percent growth for organizations across all sectors in the U.S. and Canada.

We are surrounded by and integrate technology into our daily lives. As consumers, we expect the companies we chose to do business with to use technology to improve all interactions we have with them. This expectation is driving the importance of blending IT and business in creating integrated solutions. IT professionals are being tagged "it" to help facilitate this integration through building understanding of possibilities information technology solutions can offer.

In the child's game of tag, there were those who tried their hardest to not be tagged "it." Yet, there were others who were ready for the challenge that being "it" entailed and allowed themselves to be tagged. Your knowledge and input as Information Technology Interest Group members are needed — will you allow yourself to be tagged? There are many ways available for you to share your knowledge including:

- Active participation in the Information Technology Interest Group.
- Providing material for future webinars and/or seminars.
- Submission of articles for the *Cutting Edge* newsletter.
- Collaboration and sharing through the IT Interest Group's LinkedIn site to be activated in the near future.

These truly are exciting times for insurance industry IT professionals. New innovative uses of technology are quickly being developed and advanced. The insurance industry is increasingly looking to IT for solutions across all aspects and lines of business. We should have much to offer as the opportunities for integration of business and technology have never been greater.

I look forward to the challenges of being "it" along with all of you. ■

A Key Challenge — Differentiation

by Martha M. Ducharme, CPCU, MBA, ARM, AIM, AIC

Martha M. Ducharme, CPCU, MBA, ARM, AIM, AIC, is an analytics account manager at MSB Claims Analytics, where she manages aspects of the claims analytics division to provide quality improvement processes and financial impact through data analysis while participating in various other technology, development and insurance activities. She has more than 17 years of experience in the insurance industry and recently earned an MBA from Capella University. She is president of the CPCU Society Western Michigan Chapter and a member of the Information Technology Interest Group Committee.

Editor's note: With this issue, we begin our focus of ensuring we integrate business and technology topics in order to bridge the gap between these two arenas within our industry. This article addresses the use of technology to increase the efficiency of how information is accessed to manage and improve business.

Introduction

In the insurance industry today, much like other businesses, there is a need to differentiate. Almost all consumers have witnessed or experienced differentiation in products for the marketplace. Marketing representatives speak to the difference in the products and what makes one better than the other. While organizations have found areas of opportunity within the product lines, many have not considered the differentiation capability within the organization itself. A. Andreescu and M. Mircea (2009) identify that sound management of business rules that utilize knowledge creates an opportunity to achieve competitive advantages in business. When considering a product, the initial thought is of the tangible item for sale, but the overlooked opportunity is the differentiation that can exist from the associates that are a significant knowledge resource in organizations today. This form of differentiation is also known to contribute to cost savings for businesses.

The Next Step

One process that continues to evolve is in the development of a knowledge-based technological tool, a rules engine. These tools have become progressively predominant in the business world today. As the push for early retirements in order to lower overhead or the loss of key personnel to competitors increases, organizations must develop a process for retaining that knowledge. By utilizing the knowledge of individuals and creating rules-based platforms, the knowledge becomes a shared service that has the ability to continue to guide an organization, even when facing the loss of key personnel.

There are many organizations that provide industry awards based on the performance for service within companies; J.D. Power and Associates is an example of such an organization. When a company is recognized, it is not just about a superior product, but the ability of the company to service the product or hold true to a promise of service to the consumer. The challenge for a company comes from being able to verify that its service does differentiate its product and the company in the marketplace. A rules engine will provide verification of what level the organization performs at and allows for an opportunity to create consistent application of the level of service that a company desires.

A rules engine needs a development team to create the application; an important element is to include individuals from various departments to ensure the goal of the rules engine is followed throughout the design phase and that all vantage points or disadvantages are considered, questioned and documented in the development process. Members of all company departments that interact and utilize this full communication cycle will ensure that the design process considers all possible actionable scenarios and needs throughout the company.

The insurance industry has long used the phrase "a closed file is a good file," but just closing a file is no longer good enough; this is noticed when files are actually reviewed and an analytical process is applied. A company seeks to ensure the file was handled and documented appropriately, as well as understanding the impact that a file has on the bottom-line value of the organization. Current research validates this concern. In an Aug. 18 article in *Insurance Networking News*, Justin Stephani reports: "A failure to process claims in a timely manner and a failure to use compliant policy forms top the list of complaints filed in the P&C and life/health insurance markets, according to Wolters Kluwer Financial Services. Other continuous challenges cited were a failure to properly embed regulatory requirements into claims, underwriting and distribution processes."

Closing a file quickly generates savings by not requiring additional handling by associates, but closing a file appropriately and following guidelines will reduce costs by limiting or eliminating added file handling or re-creation of documentation. In a recent analysis of claim files, this writer found a correlation of increased average claim replacement cost value (RCV) with a decline in the cycle time performance for concluding the handling

Continued on page 4

A Key Challenge — Differentiation

Continued from page 3

of a claim file. Many times, organizations are quick to excuse the decline in performance and increased expense due to workload. But better and more efficient handling of a workload would benefit the bottom line and boost productivity within a workforce. There is always added insight when different processes are used in a comparison analysis, but simply following analytical processes for handling claim files can also improve the bottom line. Over the last few years, MSB Claims Analytics has shown that organizations that implement an analytical engagement have lower claim severity than those organizations that do not follow any analytical process.

This result is depicted as the "Blue Line" standard in the chart below; those in the Blue Line standard do apply analytical processes in the handling of the claims incurred, while the segment labeled as "Industry" did not follow an analytical process. The application of rules in other areas of an organization will assist in performance improvement for closing files as well.

Conclusion

There are companies and applications available that provide organizational insight for business operations. "It's critical that businesses find ways to quickly access data that will help them sustain a competitive advantage by adapting and responding in an agile manner while also meeting all of their regulatory requirements" (R. Gnatovich, p. 47, 2007). There is a duty owed from a carrier to a policyholder to seek out these opportunities to make better use of the premiums that are collected, especially with the economic challenges faced today. This is not a new concept for business, but is a concept that must be embraced to ensure fiscal stability and success of a business. An insurance or financial institution seeking to differentiate from other organizations within the industry must utilize technology to capture and apply knowledge resources within its own organizations, as well as apply analytical evaluations to business processes and work product to improve efficiency and service. It is no longer enough to simply complete the work; the work must be accurate and efficient to allow a business to be sustainable. ■

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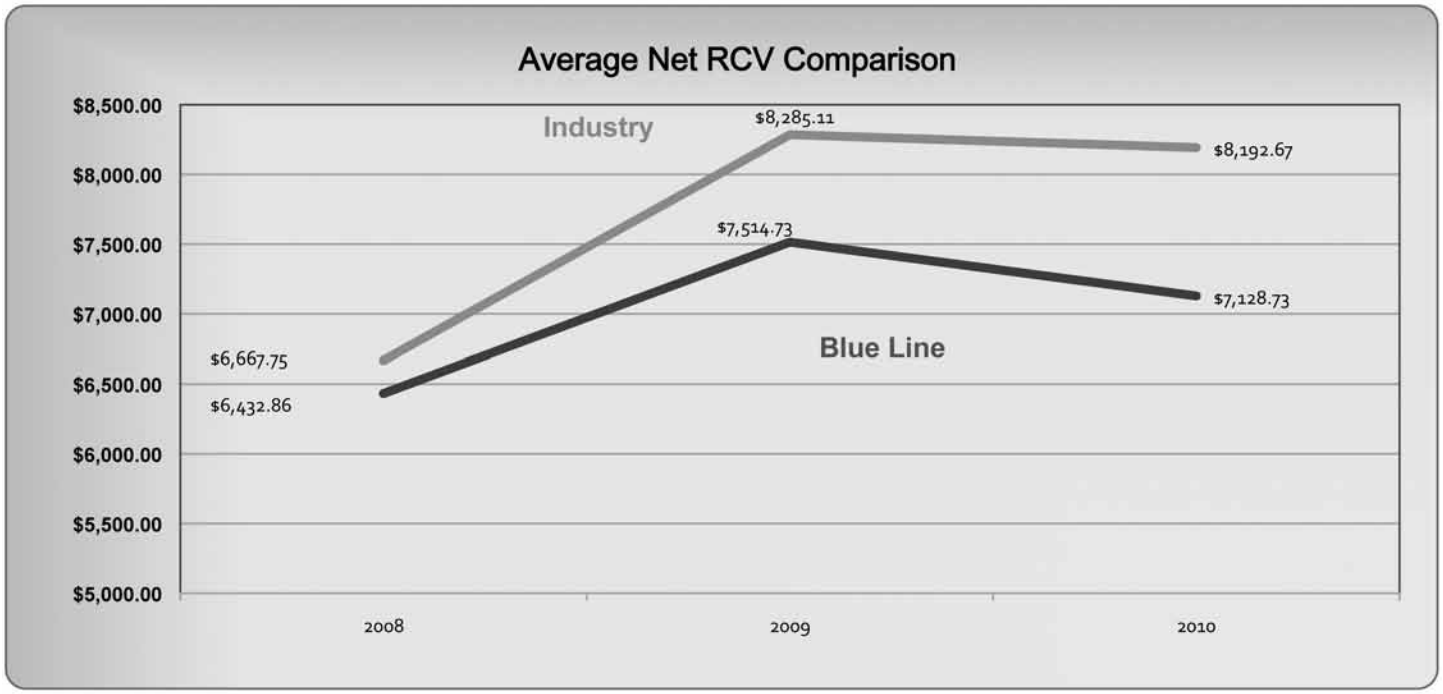
Figure 1



Source: Courtesy of MSB Claims Analytics (www.msbinfo.com)

Information Technology Interest Group Committee a Double Winner in Las Vegas

by Celeste Allen, CPCU, CLU, ChFC, FLMI

Celeste Allen, CPCU, CLU, ChFC, FLMI, has 28 years' experience in the insurance industry, having worked in claims, underwriting, business analysis and information technology. She currently is a manager with State Farm. Allen's leadership experiences led her to strengthen her community service participation and make a difference in the lives of young people in her community, including those at-risk. Allen also is a member of two major public service organizations. She earned a bachelor's degree in psychology from Temple University, a master's of business administration degree from Illinois State University and a master's degree in executive leadership from the University of Nebraska–Lincoln.

The Information Technology Committee delivered two great seminars at the 2011 CPCU Society Annual Meeting and Seminars conducted in Las Vegas, Nev. The first seminar, "21st Century Satellite Navigation — Telematics and Auto Fleet Safety," was presented on Oct. 23. The second seminar, "Beat the House — Winning Business/Insurance Strategies … Will You Bet or Fold?" was presented on Oct. 25.

'21st Century Satellite Navigation — Telematics and Auto Fleet Safety'

Developed in collaboration with the Loss Control Interest Group Committee, the seminar presented by **Christopher Sirota, CPCU,** ISO, and **Paul Farrell,** SafetyFirst Systems, LLC. The seminar was moderated by **Kevin M. Kaiser, CPCU, CLU, AIC,** of State Farm.

Benefits of Telematics

Sirota outlined fundamentals of telematics and the use of devices with ISO's fleet of 650 cars in his presentation entitled, "Not So Plug and Play Telematics." Data collected through telematics devices can be used to segment drivers for pricing based on driving habits, for loss control mitigation and retention of customers.

Challenges encountered with regard to collection and application of data are: granularity of data — how much and how often to collect; cost to collect data; a two- to three-year learning curve regarding data attributes; ability to reformat and use data; ability to conduct meaningful analysis within the proper context, privacy regarding location points; and finally use of best messages to convey learnings to fleet drivers and customers. Examples of data collected from vehicles include acceleration, braking, cornering, stops, time of day, speed, location, trips, mileage (with a focus on what happens during those miles) and more.

The size and cost of devices have decreased over time, thus rendering

Continued on page 6

From left, Christopher Sirota, CPCU; moderator Kevin M. Kaiser, CPCU, CLU, AIC; and Paul Farrell presented the telematics seminar, which drew 46 attendees.

Information Technology Interest Group Committee a Double Winner in Las Vegas

Continued from page 5

use of devices, especially from a fleet perspective, affordable and capable of speeding up the return on investment. Owner equipment manufacturers have built in capabilities to plug devices into ports on steering columns, although some may feel as though they are on a complicated treasure hunt in terms of deciphering the location of such ports.

Several companies including GMAC, CSAA, Travelers, State Farm, Allstate, Liberty Mutual and Progressive use telematics to classify drivers, offer discounts, provide feedback to modify driving behaviors, develop loss control and monitoring programs for high-risk drivers, and lessen incidents, particularly for commercial fleets — where this information can also be used for proactive fleet maintenance. Sirota provided an example where a company reduced risky driving behaviors of truckers through sharing telematics results — 50 long-haul drivers reduced risky driving by 38.1 percent while 50 short-haul drivers reduced such driving by 52.2 percent, all as a function of mean rate of safety-related events. The importance of employment of telematics for commercial vehicles is underscored by Electronic On-Board Recorders (EOBR) Rule Mandates, which are used to enforce Hours of Service (HOS) restrictions on drivers who attempt to circumvent rules and perhaps maintain two logs — one for compliance and one with actual hours of service information. Insurance carriers are offering loss control discounts when it is proven that loss control programs are effective in reducing risky driving behaviors.

The decision to collect GPS information is considered controversial from those who have concerns from a privacy perspective. Some companies incorporate GPS location, but primarily for roadside assistance. ISO offers Applied Informatix software (a decision-making tool), which involves collection, packaging and return of data to companies. ISO mitigates location information through the use of GeoMetrics, employing US micro-territories, time and miles, as measures of risk, thus enabling the ability to measure location riskiness of each trip (average loss cost for each trip), followed by lumping territories into non-contiguous cost bands. Location information is mitigated (known as "shredding of the bread crumb trail") by providing cost bands for all coverages. This service is especially beneficial to those companies wishing to employ telematics when speed to market and lack of know-how are concerns. Sirota advised that there is no "secret sauce" when it comes to implementing telematics — companies simply need to collect telematics data, match it with traditional data collected and conduct analyses.

ISO benefited from outfitting its fleet as it was able to create its own data source for accumulation of raw data, which included time of day information, g-force, latitude, longitude, speed, frequency and severity, ignition information, parked time, idle time, trip count and estimation of volume of data collected each month per vehicle (about 2 MB). Challenges lie in the identification of drivers for a particular vehicle, but this can be overcome through additional expenditures for key fobs. Those companies that go this route of developing their own data source also need to determine GPS data granularity, that is, frequency of collection and intervals (seconds, minutes) with realization of the potential of this information being discoverable, because of risks to breaching privacy, liability concerns and capability of conducting reverse engineering to find more exact details on trips. Companies need to be mindful that service provider companies involved in data transmission are accumulating data as well. So at the outset, companies need to fully understand how they will be using data collected.

Studies have shown that data collected, analyzed and shared with fleet drivers can lend to positive results in loss control (reduction of risky events). A plethora of research data can be found in a 2010 summary from the Virginia Tech/FMCSA Research (http://www.fmcsa.dot.gov/facts-research/research-technology/tech/FMCSA-RRR-10-032.pdf).

Incorporation of Telematics in Fleet Loss Control Programs

Farrell shared several benefits of effectively employing telematics in fleet loss control programs in his

presentation entitled, "Translating Telematics to Crash Reductions."

His company focused on what fleets were doing with telematics data through conversations and information sharing with 75 different insurance carriers, a number of HR managers and safety managers regarding concerns and what's working well. Farrell cautioned the audience about moving beyond awe and intrigue of capabilities of telematics into distinguishing between expectations versus limitations, as there is no silver bullet solutions (no "telemagic"). There is a need to integrate telematics data with safety practices, taking care of the need to be cognizant of potential unintended consequences.

From an expectations perspective, telematics can provide information regarding fuel efficiency, route monitoring, mileage confirmation and management, crash notifications and productivity measures. From a maintenance perspective, valuable information is provided on equipment failure, downtime and need for upgrades and replacements. Yet, with regard to crash reductions and injury avoidance, although goals are to see a significant decline in mortality rates, injury rates are not declining as expected, which means there is a lot of room for improvement using telematics.

Telematics provide a bounty of useful information, but limitations must be duly noted. Data from one provider to the next is not always standard, which lends to challenges and logistical hurdles for data aggregation. It is important to ascertain who is driving a vehicle in order to affect behavior changes, that is, why someone engages in hard braking — are there judgment issues and additional context of the data that is needed in order to get the full picture? Monitoring and modification of driving behaviors are impacted by the "power of the purse" — they can impact premiums and other financial aspects of companies.

While capabilities exist to monitor acceleration and speed thresholds, there can be misreads from this data when additional context is missing, such as if the driver was speeding through a school zone with children present. Additional context is needed in order to isolate and not inadvertently reinforce negative driving behaviors. Reports emitted from telematics cannot be used as stand-alone data. There is a need to know who will marshal data, how the data fits, and how it will be employed in the development of an action plan to improve behavior, avoid crashes and reduce injuries on a regular basis.

There are five components that need to be utilized in conjunction with telematics data: management policy, operational environments, drivers, vehicles and crash reporting analysis. Management policy revision should be a function of applying brand new learnings and understandings from data. Operational management can be improved by using data to schedule and route vehicles so as to avoid rush hours through the use of real time traffic updates. Data can impact driver qualification and training, and can also be used to record and manage performance, especially of least experienced/tenured drivers. Vehicles can be adapted to provide audible and visible signals to drivers to change behaviors and potentially avoid crashes. Caution should be exercised with regard to not using training as some form of punishment, but use data to change actual behaviors that pose issues. Farrell cited an example of a customer who had more than 1,700 documented excessive speed events noted via GPS each year. When telematics information was integrated with a coaching program, yearly excessive speed events were reduced to 200. This shows how data — when integrated with a process, strategies and results — can be worked into a plan to overcome telematics limitations.

Farrell concluded by emphasizing that telematics should become part of a company's safety program versus being looked to as a replacement of the program. Companies need to have a plan to deal with unintended consequences (driver distractions like too many gadgets and visual cues). While there is concern with hacking of vehicle's Wi-Fi in order to find bread crumb trail information (a privacy concern), we need to make sure that data is not left on the table or misused. Changes required entail the use of onboard reporters to improve safety and integration of mandated technology even with limited budgets. There is a concern with balancing productivity and safety (for example, increasing the schedule by one hour later in the day could lead to increased accidents). There should be a healthy integration of plug-and-play devices with blue-collar, nitty-gritty results.

'Beat the House — Winning Business/Insurance Strategies … Will You Bet or Fold?'

Martin J. Frappolli, CPCU, FIDM, AIS, of The Institutes, proposed, organized and facilitated this delightful "lightning round" format in which 11 speakers provided winning strategies in the insurance arena, ranging from personal development to key business practices. Each speaker was given six minutes and 40 seconds to present one main point using a maximum of 20 slides, each to be displayed for no more than 20 seconds. Humor, seriousness and raucous laughter were all a part of this very engaging seminar.

Frappolli presented "Are Data Singular or Is Data Plural?" developed by **Tim Wisecarver, FIDM,** of PCRB & DCRB. The topic title is the question as there are inconsistencies in how the word is used, but key agencies regard it as plural (Pluricans — data are), while the populace sees it as singular (Singlecrats

Continued on page 8

Information Technology Interest Group Committee a Double Winner in Las Vegas

Continued from page 7

— data is). The Plurican mandate is based on the source language of Latin treating data as a plural of datum. We're English so we get to determine how to use it. How do we define quantity of data — how much? Few say too few data. There are a few questions for you to ponder. Is data a mass noun or a count noun? Confused or do you care?

Elise M. Farnham, CPCU, ARM, AIM, CPIW, president of Illumine Consulting, presented the topic, "The Star of Your Career." Farnham asserted that what becomes of your career is basically up to you. Her viewpoint was developed based on research of top business and thought leaders. We need to use a combination of winning and losing strategies and tactics to affect changes. She promoted the use of a series of 16 self-rated questions based on sense of urgency to get things done. The rating scale ranged from 0 to 5 (never to always). Scores of 0 to 25 were considered low; scores of 26 to 45 reflect an urgency mindset; and scores greater than 46 — an addict. The sense of urgency and resultant scores are relevant in looking at success as a function of self-belief in terms of achieving short-term and long-term goals. Other important factors in success include placing the interests of others above your own, seeking assistance from others, seeking out diverse folks to complement your core group of cohorts, employing discipline, setting up milestones/checkpoints for goals in order to gauge success, and developing and leveraging a network. One needs to be mindful of those things which will "kill" your network and practice new skills while developing your network. When you fail, seek help in recovering, and when success is achieved, enjoy it!

David M. Hall, CPCU, ALCM, of State Farm, shared his viewpoints on "Business Continuity Planning." Hall stated that business continuity is important, especially for small businesses — and particularly for unplanned events that impact businesses such as the volcano eruption in Sweden and earthquakes in Japan and Oklahoma. Hall shared graphs of events occurring in horizontal and vertical planes across the Unites States, potential impacts of a an earthquake occurring along the New Madrid fault line, wind-hail and hurricanes such as Gustav in 2009. All presented huge exposures. Despite seismic events and inherent disaster potential along coastal regions, interestingly enough, populations are moving more to coastal areas. There are 29.2 million small businesses in the U.S. without resources to do business continuity planning, despite the likelihood that one in five of those businesses will experience a disruption. Then of the subset of those experiencing losses, 60 percent will not fully recover. Small businesses need to assess and develop prevention, intervention and redundancy plans as well as establish alternatives for these plans from insurance, public policy and legislature perspectives. The Insurance Institute for Business and Home Safety (IBHS) offers a wealth of tools and tools online for small businesses. Free business planning can also be obtained at www.ready.gov. Establishment of a business continuity plan is an ongoing process, not a project, so plans must be reviewed at least once each year.

Pamela J. Brooks, CPCU, MBA, AIM, of The Institutes, presented "How to Avoid Professional Obsolescence: A 12–Step Program." IT professionals need to keep their skills current, given the ever-changing landscape of technology or face the possibility of becoming obsolete. IT folks need to delve into information and research that will help them obtain glimpses of their professional future. Brooks proffered a 12–step plan for professional development, and advised of work entailed to determine cost and time commitment to reach goals. The key to the overall plan is the development of a business plan outlining steps to enhance strengths. Competencies need to be routinely assessed to ensure they align with your professional goals. New skills need to be developed along the way as well. In order to track and assess progress, an outline or synopsis of activities should be created. Professional growth can be further enhanced by obtaining a mentor, seeking opportunities to share knowledge via networking, knowing business partners and customers, and embracing change. Given the amount of time spent at work, development ROI is very rewarding.

Joseph F. Bieniek, CPCU, AIE, CCP, of the National Association of Insurance Commissioners (NAIC), conducted his presentation on "Do You Like the View from Cell Block No. 13?" This catchy title alone draws you into the importance of compliance matters as they could translate to real money being given away. Most companies have an organization chart with a compliance officer, yet all in the company are accountable for compliance matters. Companies need to know the importance of regulatory concepts and corporate risks posed due to regulatory/legislative changes, damages to reputation, failure to retain staff and be ready to respond promptly to financial compliance issues. Enterprise risk management practices need to be established, and all need to be committed and "walk the talk." While demands are heavy to make and save money on top of doing everyday jobs, companies need to ensure that all these things are balanced with what needs to be

done to be in compliance. Bieniek advised there are 24 compliance topics that must be attended to and that a culture of compliance each day keeps regulators away.

Dale M. Halon, CPCU, CIC, of ISO Innovative Analytics, presented the topic "Betting Against Adverse Selection." Will a company be an adverse selectee or an adverse selector? The topic can best be explored by looking at dynamics and application of advanced analytics. There are four components of predictive analytics, one of which is credit scoring, which was prevalently used for auto insurance in the '90s. There are three credit bureaus with standard and clean data governed by regulations on how to disseminate and use information. SAS software, internal data, internal and external talent as well as a culture of experimentation are being used to develop internal datamarts. Data availability and business knowledge are also factors examined when exploring adverse selection. CEOs are concerned with use of predictive analytics in terms of what data to use and how to use it. Predictive analytics are showing up in marketing and renewal strategies. Actual cost per policy, average rate and total revenue are used to examine loss cost assumptions. Halon advocates the use of predictive analytics as a tool to rule out adverse selection. Progressive Insurance can be looked to as a model for the use of loss cost analysis. Companies can follow the leader in terms of pricing schemes without knowing internal mechanics of deriving premiums. They can develop homegrown routines, can purchase schemes from vendors and can purchase services from regulatory savvy organizations. But in the end, they need to employ people who understand the best use and application of predictive analytics to avoid adverse selection.

Holly Ann Clayton, manager of social media at The Institutes, presented "Social Media: Shuffle Up and Deal." Clayton polled the audience regarding who viewed themselves as social media savvy. Social media is at the center of a cultural shift and evolution of customer interaction. Her group is looking at time spent on social media by generational segments. Growth in the use of social media has increased by 88 percent, and this must also be taken into consideration with the increasing use of smartphones. Consumers are smarter and more connected, and large numbers of them are using and choosing to do business online, oft times buoyed by recommendations from family and friends. Most consumers use Facebook and Twitter, so building a presence on these sites must be done with the primary purpose of connecting with target population. Social media should be used to define marketing strategy, especially with digital consumers. Companies need to look at what is posted by consumers and update their content continuously in keeping with what their customer base has to say and desires. The foundation of dialogue on social media sites should be based on 80 percent of what your customers are saying. Starbucks and Dell are companies that get how to interact with their customers on social media. Social media can help new companies achieve scale. Significant value can be obtained through customer testimonials without a dime being spent. Companies need to dabble and get involved versus sit on the sidelines. Clayton extended an invitation to attendees to get in on The Institutes' social media sites and to know what you want to get out of social media before you bet the house.

Everett D. Randall, CPCU, CLU, of The Institutes, presented a Tim Wisecarver paper, entitled "What's in Your Data? —– Let Me Tell You." Data is about the past and represents a "graveyard of information." It cannot be about the present because the present is very flighty, and it cannot be about the future because we wait around for the future to become the past. We need to look at the weight of data, and as such, this leads to the question — does light data have more energy than heavy data? Other questions arise, such as do we have enough space to house it? How precise is the data? On the flip side, we must acknowledge that data has errors, so there should be accountability for errors. Does one know the number of errors you can have before good data becomes bad data? There are omissions of data — just look at the binary system, which is comprised of just ones and zeros. Data should be odorless, yet we give it a sniff test as termed by "this data stinks." There are rules on how data behaves, yet rules will be broken, especially in creative manners. People change formats, thus rendering data difficult to use. Use of special characters forces users to talk to data processing folks. Everything you need to know is in your data — you just need to find it!

Richard "Rich" G. Berthelsen, CPCU, J.D., ARM, of The Institutes, presented "First, Let's Fire All the Lawyers." Personal injury lawyers range from those who work for good to sharks. Through the use of signs and photos, you can possibly tell who was at fault for an accident. You need to know what your case is worth, what other drivers should pay, as well as who is liable, amount of damage and more. Keep in mind that a

Continued on page 10

Information Technology Interest Group Committee a Double Winner in Las Vegas

Continued from page 9

plethora of forms have to be completed as part of the process. Because of all of the aforementioned, most people hire an attorney. Let's take a look at innocent and trusting advertisements — no win, no fees. In a 2006 study, in more than one-half of the accidents involving private passenger vehicles tracked, most went with the contingency fee arrangements, with attorneys getting one-third of total winnings. Most attorneys push you to chiropractors, yet with representation, it takes more than a year to get compensated. Without an attorney, the average amount of compensation is about $1,000 versus $3,000 with attorney representation. With all that said, you be the judge about the need for an attorney for your accident.

Marsha D. Egan, CPCU, PCC, of InboxDetox.com, The Egan Group Inc., conducted her presentation on "Inbox Detox." There is far too much mail in inboxes and this is a challenge for all. It is estimated that we lose $900 billion in productivity due to email misuse/mismanagement. Tips shared for management of the detox include:

- Turn off the dinging and flashing in your inbox. Continuous email interruptions impact the ability to concentrate, and it takes about four minutes to recover from each interruption.
- Focus on your current task at hand.
- Look to the frequency of self-interruptions as well.
- If you check your inbox every five minutes, you will end up checking it about 24,000 times each year. What would you do with an additional five hours in your life?
- Try to check your inbox in the longest interval you can possibly stand. For example, checking only five times each day increases your productivity (if you check every 90 minutes, the sky will not fall).
- Turn off automatic delivery of email. An Outlook setting exists that allows you to turn off automatic delivery or schedule mail to be sent every 90 minutes.
- Stop sending urgent emails. You need to get your entire work group to agree to this. Sending urgent emails is a sure-fire guarantee for continual interruptions. If a response is needed in three hours or less, then one should pick up the phone.

Following Egan's advice will still ensure all will go home at the right time and decrease home time spent on attending to email. Discipline is needed to do this and doing so will have a good impact on quality time spent with one's family.

Mary Ann Cook, CPCU, MBA, AU, of The Institutes, conducted her hilarious song-filled presentation on "Love and Letting Go of Your Legacy Systems: Breaking Up Is Hard to Do." Cook first serenaded the audience with "Endless Love." Your first love is always a memorable experience. We all assumed that legacy will last forever and we want to remain faithful to it, even given technology sophistication, changes in peripherals and changes in software. There was a brief litany of cute and witty songs to underscore how difficult it is to let go of our affections for legacy systems. With customizations and lack of technical support, it winds up being about you crying and everybody hurting. When legacy systems are removed, where do you find information? Some maintain friends and knowledge and know how to use parallel servers as a means to access legacy systems. But what, oh what, will you do when access to legacy is gone? Well, you need to adapt or be left behind. Letting go means gaining the ability to increase flexibility and scalability. ■

Tech Bits and Bytes

by Celeste Allen, CPCU, CLU, ChFC, FLMI

Mad Car Science

While technology is used to decipher dangerous road and driving conditions, the Berlin Institute of Technology in Germany developed a device to recognize brain signals to stop a vehicle well before signals are sent from the brain to the leg to press the brake. The aspect of brain activity measured is the "intent to brake." The device is comprised of an EEG headset that is wired to a subject while driving a simulator at 100 kilometers per hour with leg muscle sensors attached as well. Tests with 18 subjects resulted in successful braking of the simulated car using the device well before subjects braked using their legs. This study shows we are one leg up on mind over physical action in moving toward driver-vehicle safety.

To Buy or to Build — That Is the Million-Dollar Question

Celent has appended a previously published report from 2007 regarding this much discussed topic in IT shops: insurers' decisions regarding whether to buy or build software for both core and non-core systems. Insurers can choose among four options or develop a hybrid solution of presented options:

(1) **Build.** This approach is common in Europe for insurers regardless of their size and entails the use of accelerators and frameworks from third parties to get the job done. We no longer have the luxury of years upon years to build systems completely from scratch.

(2) **Wrap and extend.** This method employed by mid-size U.S. and U.K. companies involves retention of current back-office functionality meshed with delivery of new and radical business capabilities.

(3) **Best-of-breed package.** This method places a strong focus on richness of functionality, ability to effectively integrate best-of-class solutions and a clearly defined enterprise architecture. This approach is oft used across North America and by large European insurers.

(4) **End-to-end package.** This method entails weighing the cost of IT over functionality and is most used by small and mid-size insurers in Europe. We hope that you use this information as food for thought as you prepare to enter the ring in your shop on this much debated topic.

Value of Data Analytics in Improving Car Valuation

Kelley Blue Book is deemed an early adopter of data analytics, and it is paying off with application of same to estimating car values. Whereas it once used averaging as its pricing algorithm to estimate car values, it is now using sophisticated data analytics tools (SAS analytics and mining tools, plus software from Information Builders and MicroStrategy) to determine those values on a more frequent basis with ever increasing volumes of data (from megabytes to terabytes). This is a quick example of a company using data analytics to manage data collected so as improve how it does business. ■

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Questions? Contact the Member Resource Center at (800) 932-CPCU (2728), or email us at membercenter@cpcusociety.org.

April 2012

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

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