

Message from the Chair — Are You Ready?

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 Intra-Industry Committee and the Sections Web Site Task Force. He is currently serving a three-year term as chair of the CPCU Society Information Technology Interest Group Committee.

Are you enjoying spring? I am!

Snoopy, from the comic strip "Peanuts" by **Charles Schulz**, would sit on top of his doghouse with his typewriter and start his stories with this famous phrase — "It was a dark and stormy night." Had he been in the Midwest during the first week of February 2011, he might have begun with, "It was a cold and snowy week." It was during this time that most of the country was literally buried under snow and inundated with severe cold temperatures. Because of the wind here in Tulsa, Okla., we had what was called a blizzard, with 14-plus inches of snow and drifts to my chest — I am 5 feet 8 inches tall.

On Feb. 10, Oklahoma broke the previous February's record of minus 27, established in 1905, with a new low temperature of minus 31. AccuWeather.com Meteorologist **Eric Wanenchak** reported the temperature at the South Pole was minus 23 below on the same day it was minus 29 in Bartlesville, Okla. It was colder in Oklahoma than it was at the South Pole! I realize these temperatures may not be uncommon for the far northern states such as Minnesota and Montana, but



here in Oklahoma that was cold. Even snowplows were getting stuck, and the police used their own four-wheel drive vehicles, as they couldn't drive their police cars.

The operations center where I work was closed for three days, and schools were closed the entire week. It was no vacation

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being off from work either, as we were housebound for three days, unable to drive on our street. Even though we had been given a few days warning so people could get supplies, on the night before the storm, parking lots were jammed and there were long lines at the grocery stores. I witnessed this firsthand, as I was one of those who had waited until the last minute to pick up a few things. I went to one store, and they were out of milk and eggs and almost out of bread; I got the last loaf of whole wheat. It was strange seeing shelves completely empty. My advice? Don't wait until the last minute. I was reminded of the Boy Scout motto "Be prepared"; however, now I would recommend changing it to "Be prepared now!"

But "Be prepared now" is not just for disasters, but all events or situations. The operative word is now. Like the blizzard, don't let an advanced warning lull you into thinking you have plenty of time. Don't wait until the last minute to prepare, or you may find that supplies you need are not available. Also, don't wait for a warning, as it may not come. Events can happen suddenly without advance notice, such as an auto accident. While you may not be able to avoid the incident, you need to know what to do after it happens.

We need to be prepared now from a financial security perspective, given the current environment of economic uncertainty. With the country's large debt, the roller coaster ride of the stock market, the shrinking value of the dollar, the rise in gas prices and the loss of jobs, we face uncertainty daily. **Ben Franklin** said, "In this world nothing is certain but death and taxes." This has never been more true — and the certainty of "uncertainty" should probably be added to Franklin's saying.

Gas prices can rise by more than 10 cents a gallon, and after days or weeks, start dropping penny by penny. If individuals have money to invest, they may not put it in the stock market, fearing another large drop. Today, working for the same



company for many years is no guarantee of future employment. True, an individual has no control over the national debt, the stock market, the value of the dollar or the price of gas, but we do have some control over our own debt and, to a certain degree, our jobs. Be prepared, now. Cut or eliminate your credit card spending, reduce your debt and put some money from each paycheck into savings. It won't be easy, but we need to do it.

Ben Franklin said, "In this world nothing is certain but death and taxes."

Concerning your job, do the best you can and be the best you can. Be flexible and teachable. In today's technological environment, where information on everything is available almost instantly, you need to know how to use the latest tools. The old way of doing something is just that, old. Although "if it ain't broke, don't fix it" is still true, we are not trying to fix, instead we are replacing with something newer. You need to keep up to date with technology to be competitive.

Don't stop studying and learning. Obtaining your CPCU designation is just the beginning. Your education should not stop. The CPCU Society Center for Leadership courses and The Institutes' associate designation courses, such as Associate in Information Technology (AIT) and Associate in Risk Management (ARM), are some of the education programs available to help you keep your marketable skills current.

Being prepared gives you the blueprint of what to do when something happens. However, in this fast-paced, ever-changing world, you can't wait — you have to be prepared now. Are you ready? ■

What Makes a Difference Today?

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



Martha M. Ducharme, CPCU, ARM, AIM, AIC, has more than 17 years' experience working in the insurance industry and participating in vendor and insurance conferences. She is analytics account manager with MSB, working in a client-facing position managing aspects of the claim analytics division while participating in various other technology and insurance activities. She is an active member of the CPCU Society Western Michigan Chapter and is currently its president-elect. Ducharme supports community activities with AMBUCS, a non-profit service organization dedicated to creating mobility and independence for people with disabilities.

In the insurance industry today, most companies operating in like business segments have mirrored product offerings. As an example, a life insurance company business segment may offer life insurance for term, whole or universal life policies, and most likely would offer some form of investment opportunities. Looking at any life insurance organization will likely show the same product types from one to the next. If companies offer like products, what makes the difference in the selection process? The answer is an analytics-based organization.

What Is Analytics?

Most simply, analytics is a field of data analysis. In an effort to understand a specific topic or segment of a business, one would use the data generated from the specific topic or work products and processes within a department to analyze the facts of the subject of interest. Any organization today will typically be able to regurgitate some quick and basic facts of its organization, such as an average claim severity or claim volume. These are both great facts but are a far cry from an analytical process. An analytical process will delve into the detail of data to determine results and what impacts, or has the opportunity to impact, the end performance.

What should drive an insurance organization in today's economy is the impact from the claim business segment. Knowing what you pay and whether it is appropriate plus the actual claim adjustment process will provide valuable and actionable insight to improve all parts of an insurance organization. In order to know if properties are valued appropriately and if policy unit rates are accurate, the settlement and adjustment costs for a claim must be utilized.

This raises another question — how do you implement analytics? The information technology (IT) architecture within an organization, as well as the software platforms used today, provides an opportunity for analytics. Through the

database warehouses and IT systems, an organization has the ability to capitalize on data to analyze the functionality and capability within all segments of its business.

Claim Analytics

There are three areas that will benefit analyses in a claim environment: work processes, accuracy and financial impact. An overriding goal for a claim is to appropriately indemnify the policyholder, and all three of the factors identified will provide a review and learning opportunity as well as a form of check and balance in the work product.

Work Processes

When associates are handed a claim to adjust, many times there is limited direction; a benefit of the IT world today is that this action can be changed. Rather than simply pushing work out to an individual, IT systems can provide guidance and checkpoints to ensure that compliance is met based on organizational standards or regulatory requirements. Each company has different standards or may strive to meet standards within a specific industry. Through the development of a best practice for an organization's own standards, today's IT systems can assist with the implementation to ensure consistency in work products throughout the entire company.

Accuracy

The most important step in successfully conducting a property-damage claim is agreeing on the scope of a loss. Scoping a loss requires accuracy in documenting the damage and in writing the estimate for repairs. For example, no longer is it good enough to state that the estimate will replace tile; it is the obligation of the associate to indicate the type or quality of the damaged material and correctly identify what will be replaced.

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Indemnifying policyholders require that they be reimbursed for the loss of the actual material in their homes; there is no better solution for this requirement than to appropriately select a material in the property-damage estimating platform being utilized. In today's IT world, there are many opportunities to use estimating platforms that ensure a loss is accurately identified and paid.

Financial Impact

Financial impact may be listed last, but that does not mean it is least important to a successful business. In order to remain a viable business, the financial standing and opportunity of a company must be known and monitored. When seeking to implement a new system or tool, there are thorough assessments by a cost-benefiting analysis that not only reviews the item and its cost but also the expenses of time, training, implementation and return from utilizing the new item. The same effort should be taken when reviewing claims. Through the use of analytical analyses, the compliance, or lack thereof, of a specific organizational work process and product can be analyzed to provide feedback on specific areas of financial performance. In the claim arena, this type of analytical analysis should provide a view that encompasses the organization as well as identifies an impact opportunity down to a claim or an estimate line level.

Conclusion

Is analytics a beneficial process? The answer is a resounding yes. Davenport (2006) has provided strong insight on the capability of analytics and points out that the leaders within any industry are those organizations that use analytical processes. When there are many insurance companies offering similar products, the ability to differentiate the business moves from product-related elements to the work processes or workflow. This results in an opportunity to improve customer service capabilities as well as capitalizing on a more efficient business organization. The most efficient method that makes this differentiation available and marketable for a business is through implementation



of analytics — specifically through the claim department for an insurance organization. The details gleaned from the company's claim data will provide a more focused opportunity for training, consistency within the work processes regardless of the geographic disparity, and the ability to manage costs. ■

Source

Davenport, Thomas. "Competing on Analytics." *Harvard Business Review* 84. No. 1 (2006).

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You can view articles by year of publication or in alphabetical order by title. Dive in to explore a wealth of archived information.

When Pigs Fly

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.

OK, now that I have your attention, while flying pigs would be an awesome sight, I would like to talk about something I think is infinitely cooler and more practical — flying cars.

The concept is not new and has been around since the 1903 maiden voyage of the Wright Brothers. Some of the more prominent flying cars that have been developed over time include:

- The 1917 Curtiss three-winged Autoplane, which completed several short hops.
- The 1937 three-wheeled Studebaker-based Arrowbile.
- The 1946 Airphibian, which actually flew at 120 mph and drove at 50 mph.
- The circa-1947 flying-saucer-shaped Avrocar, used as a military flying car.
- The 1949 FAA-approved Aerocar, with an airspeed of 120 mph and designed to travel uninterrupted from road to air and back to the road.

In his May 9, 2005, *AutoWeek* article "Where Are the Flying Cars?", **Mark Vaughn** indicates that although there were a few possibilities he examined, overall folks were skeptical of the concept of the flying car being brought to fruition commercially, especially given the cadre of government agencies that would have to approve the "carplane."

Vaughn examined two vehicles — one by **Paul Moller**, who has been working on his concept for more than 40 years, and **Jesse James**, who created one in a mere five days using as his base a Panoz Esperante, a sports car by the American car manufacturer Panoz. In 2005, Moller's "Skycar," with a projected cost of \$995,000, had the potential of speeds up to 350 mph at 28,000 feet high and the possibility of getting 28 mpg. The Skycar demonstrated simple capabilities during a test in which it was tethered. Hey, does that really count as flying?



According to several sources, as of March 2011, the Skycar VTOL (vertical takeoff and landing) is still in the prototype phase. Interestingly enough, James' flight took place at an airport near Kitty Hawk, N.C., during which the carplane rose to five feet and went forward 350 yards.

Let's contrast the above with Terrafugia's Transition® Roadable Aircraft — an FAA-approved and "deemed legal to operate on streets" light sport aircraft. First customer delivery of the Transition is estimated to occur prior to the end of 2011. The Transition went from concept to fruition within five years because of the efforts of a group of aeronautical engineering students at MIT.

Owners will have to obtain 20 hours of flight training to obtain a sports pilot license and of course will need a regular vehicle license. With a projected cost of \$194,000, it has the capability of flying up to 10,000 feet, a speed of up to 138 mph and fuel efficiency of 35 mpg using unleaded gasoline from a local gas station. The Transition only takes 30 seconds to automatically fold down its wings, and it can be parked at home. How cool is that?

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When Pigs Fly

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Now that we know that a flying car is an actuality versus a mere concept, surely hope springs eternal for flying pigs! Never cease to wonder at how high and far one can soar fueled by innovation and technology. ■

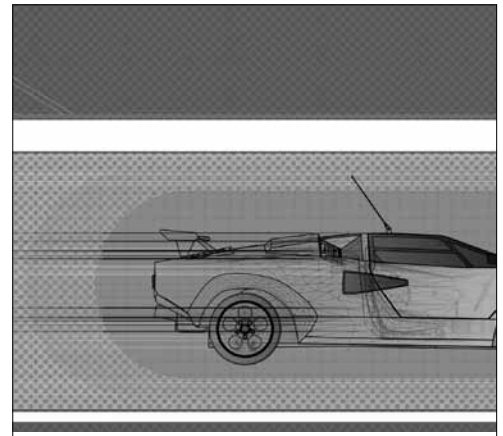
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CPCU Society Travel Program — A Great Way to See the World!

by Richard A. Vanderbosch, CPCU, CLU, AIS



Richard A. Vanderbosch, CPCU, CLU, AIS, retired in 1999 after a 36-year career with State Farm. Named a CPCU Society Standard Setter in October 1998, he continues to be active in CPCU Society activities. Vanderbosch is coordinator of the CPCU Society Travel Program, member of the CPCU Society Colorado Chapter and contributing writer to the CPCU Society Retirement Resource Interest Group.

Want to travel but do not want the hassle of dealing with details such as research, picking a destination, arranging travel plans, identifying attractions and making sure you have all the required documents?

Why not join us on one (or more) CPCU Society Travel Program adventures and leave all of the details to us. Not only do we make traveling easy, but you will also be able to join other CPCU professionals as you enjoy the wonders of the world. Once you register for a trip, you will be prompted and reminded of all the things you will need to do from a personal standpoint — everything else is taken care of by the travel company. Then, just follow the group leader to enjoy all the sights and attractions of the trip.



Over the past several years, we have traveled to Germany, Canada, Czechoslovakia, Ireland and France.

And our upcoming May 2011 adventure, which is now sold out, will be China.

Future destinations are selected from the input of past travelers and the general CPCU membership.

If you have a travel preference you would like considered, just send me an email at rbosch@aol.com.

Selection and announcement of the next year's trip take place each summer.

Give us a try and see for yourself just what you've been missing — a great program established for you, your families, your guests and other CPCUs. You'll be glad you did! ■

Tech Bits & Bytes

by Celeste Allen, CPCU, CLU, ChFC, FLMI

Insurance Industry in 2011

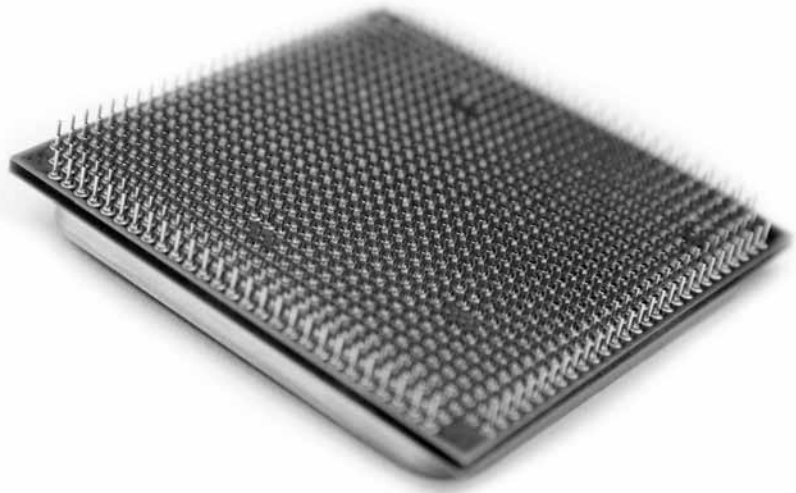
An overview of a Strategy Meets Action (SMA) brief of key trends for insurers indicates that companies should be on top of maturation of Cloud/ SaaS (Software as a Service), analytics, mobile, social media and the application development revolution. Several of these topics will be featured in upcoming newsletters. (SMA, a technology consulting and research firm, delivers insights, information and perspectives to insurers to foster priority-setting and decision making around their IT investments.)

David Niles, president of SSA & Company, a global operations consulting firm, made several predictions for the industry, one of which was that: "IT is going to become the 'it' department. With growing companies and growing customers, the IT department will continue to evolve, emerging from the back office into the core of the company."

Data Slang

Well-known data modeling guru Steve Hoberman, in his article in the March 1, 2011, edition of *Information Management* magazine, shares data slang terminology submitted by data modelers. Just a few are presented here:

- **Munge** — "To transform data in an undefined or unexplained manner."
- **Cowbird** — "A data element that used for a purpose for which it was not originally designed."
- **Fattribute** — "A business name that is so unabbreviated, verbose and 'unsuccinct' that the number of characters of the name exceeds the maximum character limitation of most data-modeling software packages."



"IT is going to become the 'it' department. With growing companies and growing customers, the IT department will continue to evolve, emerging from the back office into the core of the company."

Chip Technology

A team of researchers in collaboration with University of Massachusetts scientists built a chip using field programmable gate array (FPGA) to place 1,000 cores on the chip that will be used to process an algorithm for the MPEG movie format. The speed of the chip renders it 20 times faster than a desktop computer. Plans moving forward are to employ the technology to rev up the speed of processing power in future computers. ■

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Information Technology Interest Group

Volume 18 • Number 1 • April 2011

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10. Be energized to achieve your personal best!



The Information Technology Interest Group newsletter is published by the CPCU Society Information Technology Interest Group.

Information Technology Interest Group
<http://infotech.cpcusociety.org>

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